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Understanding Welfare 1976

A Guide to the Massachusetts Welfare System

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December 1976

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INTRODUCTION

Four years have elapsed since the publication of MTF's first edition of Understanding Welfare, a report designed to give citizens a better understanding of the Massachusetts welfare system. During this period developments at the state and federal level have altered this system. Among the most important of these developments are the following: (1) Implementation of the federal mandate to separate the provision of financial assistance from the provision of social services to help people overcome problems; (2) Replacement of three state-federal programs to aid the aged, blind, and disabled with a single federal program known as Supplemental Security Income; and (3) A major state fiscal crisis that led to a series of cutbacks in the welfare budget. This report updates the overview of programs in the first edition. It also examines the level of benefits, the scope of programs, and the number of people served in Massachusetts in relation to spending by other large states.

A. Overview of the Programs

Four categorical programs plus Veterans' Benefits compose Massachusetts' billion dollar welfare system.

Aid to Families with Dependent Children (AFDC), the successor to the mother's aid program established in 1935, provides income for families with dependent children under 21.

Supplemental Security Income (SSI), is a new program that replaced Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled in January 1974. The federal Social Security Administration within the Department of Health, Education, and Welfare is responsible for administration of cash benefits. The Massachusetts Department of Public Welfare and Commission for the Blind are responsible for the provision of Medical Assistance and Social Services to eligible persons.

General Relief (GR), dating from colonial times, fills the gaps in financial aid left by federally sponsored programs. Financed solely from state funds, this program provides cash assistance to people who do not meet the stringent SSI requirement for disability payments. Medical benefits to GR recipients, almost toally eliminated in fiscal 1976, will be partially restored in the coming year.

Veterans' Benefits is a program of assistance to needy Veterans and their dependents that is supervised by the State Office of Veterans Services and administered by the cities and towns. The program provides financial aid in the form of food, clothing, shelter, and medical care for eligible persons. Under this program the cities and towns bill the state for the costs of assistance and are reimbursed at the rate of 50 percent. Federal financial reimbursement is not available for this program which is unique to the state of Massachusetts.

The state's share of direct aid and medical services for this program plus two smaller programs of benefits to dependents of current servicemen and a burial allowance for needy veterans and their adult dependents was $16.5 million for fiscal 1975, $13 million for fiscal 1976, and is $7.5 million for fiscal 1977. The reduced appropriation for fiscal 1977 reflects a carry-over of $5.7 million from fiscal 1976.

Veterans' benefits is a selective financial aid program for certain qualified veterans. Eligibility is determined by three major criteria:

1. Military Service. Veterans must meet the requirements for duration of military service type of discharge specified by Chapter 115 of the General Laws. For example, World War II veterans must have seen one day of wartime service and have been discharged under conditions other than dishonorable.

2. Residence. Three continuous years residence in Massachusetts is needed unless the military service was credited to the Commonwealth.

3. Financial Need. Veterans must meet budget, income standards, and asset limitations set by the state Commissioner of Veterans Services.

- Negotiable assets are limited to $300 for an individual, $500 for a couple, and $100 additional for each child up to a grand total of $800.
- For veterans aged 65 and over who do not require ordinary cash benefits but who need financial assistance to cover large medical bills the assets limitations are less stringent. The maximum is set at $2,000 for an individual, and $3,000 for a household with two or more members (excluding house and automobile).

In addition to meeting these conditions for eligibility, employable veterans are required to register with the Massachusetts Division of Employment Security and must be willing to accept a bona fide offer of employment.

The state office of Veterans Services estimates that the program of Veterans' Benefits serves 10,000 to 12,000 needy veterans and their families. Under current state law veterans eligible for assistance under this program are ineligible for aid under the state financed General Relief program. However, veterans with dependents who meet the eligibility requirements for either the AFDC program or the Veterans' Benefits program have the option to choose the form of aid that they prefer. The Veterans' Benefits program not only bears less stigma than other forms of public assistance but can provide more liberal benefits than General Relief or AFDC. For example, a family of three without outside income could receive a maximum of $377.50 monthly excluding special needs allowances under

Veterans' Benefits in fiscal 1976 compared to $314.00 monthly under the AFDC program inclusive of the quarterly grant.

As a condition of eligibility, persons applying or receiving Veterans' Benefits, who do not appear to have exhausted resources such as Veterans Compensation, Non-service Pensions, Railroad Retirement, Supplemental Security Income, Workmen's Compensation, Unemployment Compensation, or private pension plans or other benefits must apply for these at the time of application to the Office of Veterans Services.

In addition to cash assistance the state provides medical assistance to welfare recipients and other low income people. The Medical Assistance Program (Medicaid or MA), started in 1967, has rapidly become the state's most expensive public assistance program. Direct payments are made to vendors for medical services to eligible persons. Medicaid covers people on AFDC and SSI and also other individuals whose medical bills are so large as to reduce their income to welfare standards.

The Department of Public Welfare is also a major provider of Social Services. Eligibility for social service programs is not limited to AFDC, SSI, and GR recipients. Others are eligible for services on the basis of income and social need. Some of the services available include adoption, foster care, day care, and chore and homemaker services for the elderly and disabled.

II.

THE DEPARTMENT OF PUBLIC WELFARE BUDGET

The unprecedented state fiscal crisis in fiscal 1975 focussed attention on public welfare expenditures which accounted for over one-third of the total state budget and 78 percent of the Human Services budget. Subsequent examination of welfare programs by the new Administration and the General Court led to a series of cutbacks that were reflected in the fiscal 1976 budget enacted on November 7, 1975. Table 1 compares the Department of Public Welfare budget, by program, for fiscal 1975, 1976 and 1977.

Table 1

(in millions)

Program	1975 Expenditure	1976 Final Appropriation	1977 Appropriation
AFDC	414.3*	421.0	441.0
GR	119.8**	69.4#	45.3
SSI	111.2	115.0	128.0
Medicaid	505.7+	468.0##	530.0
Social Services	63.1++	96.9+++	87.9
Administration & Other	78.6	78.3	78.0
Total	$1,292.7	$1,248.6###	$1,310.2

Note: In FY 1975, an estimated $9.0 million spent on Social Services was budgeted under the AFDC Program. An estimated $2.5 million spent on Medical Assistance for children in Foster Care was budgeted under Social Services.

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*$1.3 million in prior year bills.
**$9.6 million in prior year bills.
+$38.0 million in prior year bills.
++$ .4 million in prior year bills.
+++$ 5.0 million in prior year bills.

#$ 1.9 million in prior year bills.
##$10.0 million in prior year bills.
###Assumes reversion of $22 million in Medicaid Program.

This breakdown shows that General Relief and Medicaid have been the two programs which bore the brunt of the fiscal crisis. In a dramatic reversal of policy, the number of persons receiving GR was cut in half by terminating those considered employable. A few months later, the GR Medical Program for those unemployable persons still receiving assistance was almost totally eliminated.

The cutback in Medicaid was accomplished in part by eliminating some services, but the major decrease in current expenditures resulted from an accounting change allowing the Department of Public Welfare to postpone payment of two months of fiscal 1976 bills until fiscal 1977. By adjusting Medicaid expenditures for this accounting change and charging all back bills to the years when they were incurred, and distributing prior year obligations for which funds were appropriated in a later fiscal year to the proper year, the spending for fiscal years 1975, 1976 and 1977 is $477.7 million, $566 million, and $530 million, respectively. The Governor has already announced he believes at least an $85 million deficiency is unavoidable for fiscal 1977. The trend in regard to state spending on medical services points to expenditures exceeding $600 million by July, 1977.

This breakdown does not indicate that for the first time in three years no cost of living increase was provided for welfare recipients. This measure saved an estimated $100 million by holding down cash assistance levels and limiting the potential for caseload growth. The evidence suggests that whenever benefit levels are raised, the number of welfare cases increases: (1) More people become eligible for assistance because those whose incomes hovered just beyond the old benefit levels now qualify for payments under the new higher standard for assistance. (2) To the extent that the prevailing earnings rate in lower income brackets fails to keep pace with the rising price index, it tends to increase the

attractiveness of welfare. People may be encouraged to apply for assistance who, for whatever reason, have not done so before.

The higher fiscal 1977 AFDC and SSI budgets result primarily from a 5 percent cost of living increase in the monthly grant. The GR Medical Program has also been partially restored (ie., outpatient hospital visits, dental care, and doctors' visits) and recipients will also receive a cost of living increase. The level of funding for cash assistance programs, particularly AFDC, is predicated on the optimistic assumption that caseloads will remain stable despite the rise in benefit levels. The $530 million authorized for the Medicaid Program restores optional dental care but the appropriation falls below the $560 million requested by the Governor. For this reason the Governor vetoed $15 million in expenditures in the fiscal 1977 budget to cover the state's share of the additional $30 million needed to cover Medicaid according to his original estimates. Most of his vetoes were overriden by the Legislature.

Administrative budgets have stayed nearly constant from fiscal 1975 to 1977 although increased administrative costs have necessitated a reduction in staff. This reduction from a staffing level of 5,755 in July 1975 including federally funded positions to 5,327 in January 1976 has been partially offset by the addition of extra management positions to implement savings measures and the replacement of some direct service staff lost through attrition during the period of enforcement of stringent hiring controls.[1] The fiscal 1977 budget will permit the Department only limited additional hiring beyond the current staffing level of 5,344 to enable it to comply with the federal district court order (Cornelius vs Minter, 1974) to provide services to clients in a timely manner.

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1 Estimate based on Department of Public Welfare Cost Allocation Report.

Who Pays?

The federal government reimburses most of Massachusetts' welfare expenditures. Social Service costs and related administrative expenditures are reimbursed at the rate of 75 percent with some exceptions. The most notable exception is the Foster Care Program which is almost entirely state funded with the exception of AFDC Foster Care cases. These are cases in which the child is eligible for AFDC or would have been if the family made application; the case has been court adjudicated; and the child's placement and care is the responsibility of the Department of Public Welfare. Congress has fixed a ceiling on the amount of money it will pay states for social services and the limit for Massachusetts is $68.7 million.

AFDC, Medicaid payments and most Administrative costs are reimbursed at a 50 percent rate and there is no federal ceiling on these funds. SSI is operated and initially paid for by the federal government. The state SSI expenditure is the amount the federal government assesses Massachusetts for its share of program costs under a complex financial formula. Only GR and part of Social Services are totally state funded programs.

The state fiscal crisis and the reaction to it brought stronger pressure to bear on the public welfare budget. The Deparment's programs were viewed for the first time as items that should be subject to policy analysis, monitoring, and expenditure control. The Governor proposed legislation to modify the statutory requirements for the position of Commissioner to enable him to appoint an individual with the professional skills this change in emphasis demanded. One of the first priorities of the new Commissioner who was appointed in March 1975, was to establish a program-oriented budget staff.[2] This staff has the responsibility to

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2 When the Commissioner, Jerald L. Stevens, resigned to assume the Office of Secretary of Human Services nine months later in December 1975, he was succeeded by Alexander E. Sharp, II, Director of Finance for the Department of Public Welfare.

implement up-to-date methods of program analysis, caseload forecasting, and expenditure projection that enhances the Department's capacity for budget planning and increases its ability to explain to the public the assumptions behind its appropriation requests.

III.

MANAGEMENT REFORMS

A. Reorganization

Massachusetts has had a centralized welfare system since July 1968 when the state Department of Public Welfare took over full responsibility for the administration of programs from the cities and towns and absorbed their costs. The state takeover and reorganization, recommended by a study of the existing system by the National Study Service resulted in a three-level structure that consists of a central office, regional offices, and local welfare offices. As a result of an analysis of local operations, the Department has closed 163 of 273 local welfare offices and merged their functions with the remaining 110 offices.

In fiscal 1976 the Department closed one of its seven regional offices, the Brockton Regional Office, and consolidated its activities with the Greater Boston Regional Office. As a further move to strengthen management control over this vast, fragmented system, the Department will request legislative permission to close 32 smaller, local welfare offices.

B. Separation of Services

The Department of Public Welfare implemented the federal mandate to administratively separate the functions of providing cash assistance from social services. These two functions involve a different set of activities. The provision of cash assistance is more of an administrative function involving tasks related to the determination of eligibility for financial aid, the redetermination of eligibility, and monitoring the recipients' budget for changes that affect the size of the grant. In contrast, the provision of services is a social work function that includes almost any activity necessary to help individuals overcome problems, maintain the family unit intact, and protect people against abuse, exploitation or neglect.

Separation was designed to advance a wide range of management and service goals. These included (1) elimination of the policy and procedural confusion that resulted from the intertwining of the two functions at the local level, (2) guarantee that clients would have the right to decide whether or not to accept social services with the exception of protective services against abuse, exploitation, and neglect, and (3) improvement of the administration of both functions and the use of staff.[3]

Until September 1974 all local welfare offices in Massachusetts were responsibile for the provision of social services and cash assistance and all workers performed both functions. Afterwards these two functions were divided at the local level and staff was assigned to either Assistance Payments or Social Services. Thirty-eight local welfare offices were designated Community Service Area Offices responsible for the provision of social services to the entire state while the responsibilities of the remaining 72 offices were limited to the provision of cash assistance, medical benefits, and food stamps. Sixty-five percent of the direct service staff below the supervisory level was assigned to Assistance Payments while 35 percent of the staff was made responsible for the provision of social services.[4]

The field staff below the supervisory level breaks down in March 1976 to 1,420 workers in Assistance Payments (inclusive of Medical Assistance) and 682 workers in Social Services. Food Stamps is a separate unit consisting of 238 workers. An additional 18 workers had varied assignments within the system. Roughly half of the Food Stamp workers are federally funded CETA employees.

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3 Separation of Services from Assistance Payments, A Guide for State Agencies, U. S. Department of Health, Education and Welfare, Social and Rehabilitation Service, Community Services Administration (SRS) 73-23015, 1972, Chapter II, Objectives of Separation, pp. 5-7.

4 Annual Report, Commonwealth of Massachusetts, Department of Public Welfare, Fiscal 1975, Public Document No. 8342, November 1, 1975, p. 2.

Chart I shows the current organization of the Department of Public Welfare. The Department continues to be organized along functional lines with Assistant Commissioners responsible for program operations and a regional coordinator responsible for field operations. The Regional Coordinator is, in effect, a "common head" charged with the coordination of policies and procedures developed by the Assistant Commissioners. Common heads with the responsibility of integrating social services and assistance payments also exist at the level of the Regional Administrator and the Community Service Area Office. This administrative structure has come under criticism recently from the Governor's Management Task Force. In its opinion, common heads create too many autonomous units at the central office level, blurring reporting relations and undermining principles of sound management direction.

Within the service delivery system social services staff are divided into four functional categories:

1. Information and referral workers who respond to requests for services by disseminating information about community resources (e.g., day care) and acting as an intake unit for the Department;

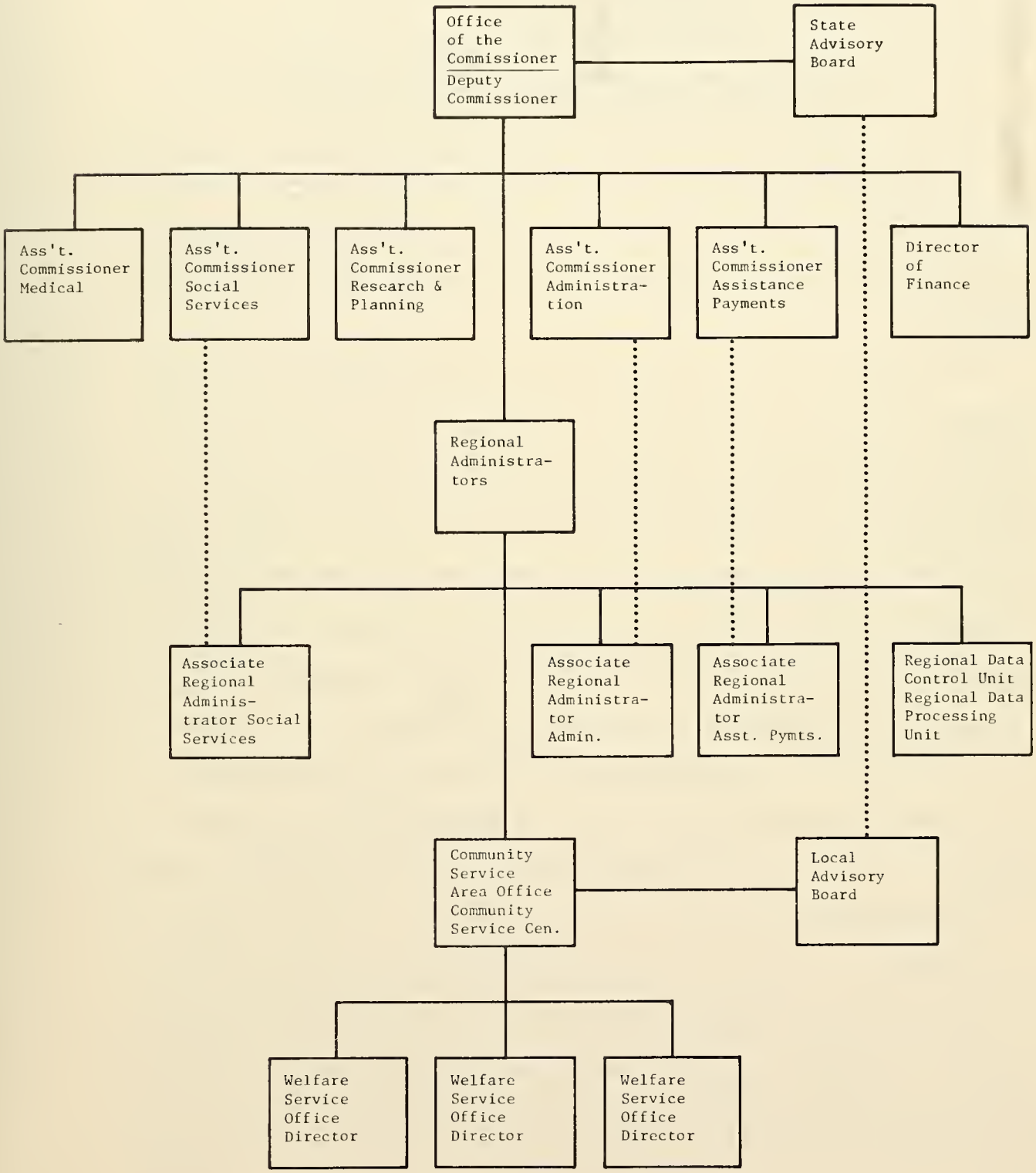
2. Generalist social workers who carry cases and perform a variety of functions related to individual and family needs (e.g., foster home supervision, direct counseling). These workers provide the bulk of the social services for the Department;

3. Specialist workers based at the regional or central office level according to function who provide services in such areas as adoption, foster care, and protection of children and adults against abuse or neglect;

4. Resource mobilization workers who are responsible for the development of new resources in the community to address unmet needs (e.g., day care or recreation programs for children).

Chart I

Massachusetts Department of Public Welfare



The Assistance Payments staff is divided into two functional categories:

1. Entry Payment (intake) workers who determine financial eligibility for cash assistance or medical assistance;

2. Ongoing workers who maintain cash assistance or Medically Needy cases by performing a variety of case management tasks related to eligibility and need.

Food Stamp Administration for those not on public assistance exists as a separate unit within local welfare offices although policy and procedural development comes under the Assistant Commissioner for Assistance Payments.

As a practical matter, a strict division of responsibility for the provision of services does not exist at the local level. The Assistance Payments staff continues to perform a variety of activities that fall into the category of "services" in the course of its duties. However, the information available suggests that separation has improved the management of Assistance Payments operations. It enables the Department to hold staff accountable for the completion of tasks related to cash payments (e.g., quarterly redetermination of clients eligibility for assistance). Before separation, when staff time was allocated to the provision of cash assistance as well as the provision of social services, it was more difficult to set priorities and objectives and measure performance in regard to either function.

Workload is a complex area that the Department has begun to subject to systematic analysis for the first time. The number of cases assigned to staff is based on standards established in the Department's contract with the Massachusetts Social Workers' Guild and varies with function (e.g., the provision of cash assistance, medical assistance, or social services). For example, AFDC and General Relief workers with ongoing case management

responsibilities currently average about 140 cases. Although this caseload exceeds the base standard in the union-management contract of 120 cases, the actual workload has been reduced somewhat by the introduction of the consolidated grant in AFDC which simplified the steps involved in the determination of eligibility and of the recipient's budget. For every two cases which these workers carry above the base of 120, they may drop two of the 75 client eligibility redeterminations required to be completed each quarter. Based on a recent review of caseloads, the Department believes that the most critical staffing shortages are in Social Services which has a substantial number of uncovered cases, many of which are child welfare cases requiring direct services.

The determination of the error rate in the AFDC Program is a federally mandated management activity that measures separately (1) the number of cases with an error because of ineligibility, overpayment, or underpayment, and (2) the amount of money paid incorrectly as a proportion of the total payments. To implement this mandate, the Department of Public Welfare maintains a separate Quality Control Unit. This unit conducts the measurement process which involves an ongoing survey and field investigations on a statistically reliable sample of the AFDC caseload.

Originally the Department of Health, Education, and Welfare set targets for states of 3 percent ineligibility, 5 percent overpayments, and 5 percent underpayments in order to avoid withholding of federal funds. Although the threatened sanctions have not been enforced because of unrealistic deadline dates and the arbitrary nature of their development, the disclosure of error rates is tied to the implementation of a corrective action plan. Quality Control Programs have also been developed more recently for Medicaid and Food Stamps.

The AFDC error rates which were comparatively high for Massachusetts have dropped markedly. The total case error rate for ineligibility, overpayments and underpayments fell from 47.1 percent to 25.0 percent between January-June 1975 and January-June 1976. The most substantial decrease occurred in the number of cases with an error because of overpayments which dropped from 25.7 percent to 14.4 percent. During this same period the total dollars overpaid fell from 19.8 percent to 9.5 percent and the total underpayment fell from .9 percent to .5 percent.

The new Consolidated Grant System contributed substantially to the reduction of the case error rates and the percentage of overpayments. This simplified method of calculating recipients' budgets reduced the potential for error because it eliminated individual allowances resulting from special circumstances, age of child and differences in budget groups (e.g., based on living arrangement). However, part of the reduction in the case error rate and the percentage of cases with erroneous payments is also attributable to technical changes: (1) The Department's decision to simplify work registration requirements for AFDC-Unemployed Fathers, and (2) the Department of Health, Education, and Welfare's decision to revise survey procedures. These changes intersected with the implementation of the Consolidated Grant System to reduce the number of cases with errors in the sample on which the estimate of total dollars overpaid and underpaid is based.

In a continuing effort to reduce the amount of ineligibility and erroneous payments the Department has instituted a statewide computer cross-check with the Massachusetts Division of Employment Security and other state agencies including the Division of Personnel, the Office of Veterans Services, and the Department of Corporations and Taxation, to identify cases which are inappropriately receiving benefits. It also plans to

implement (1) a client response system that will direct questions in regard to earnings and income changes to recipients and (2) an eligibility redetermination system that will give priority to cases with a high potential for error.

C. In-Service Training

One of the areas in which the Department has received criticism from professionals and the public that has direct relevance to clients is staff training. The Governor's Management Task Force identified deficiencies in initial orientation of staff, ongoing training of field personnel, and supervisory training.[5] The Department embarked on an ambitious effort to upgrade staff development by moving the Training Unit from the Personnel Office to the Office of the Regional Coordinator which has a direct line of authority to the field, and by bringing in a new director with recognized expertise in social service education. The Training Unit is presently conducting a 'Needs Assessment" Survey of the entire spectrum of personnel to determine what forms of technical assistance (e.g., courses, seminars, workshops) they need to perform their jobs. To supplement internal resources, the Training Unit has for the first time obtained a Training Grant from the Office of Child Development in the Department of Health, Education, and Welfare to teach workers to deal with problems associated with child abuse. If the new thrust to upgrade in-service education is to have a long run impact on job performance, support from within the Department and from outside, for staff development activities, must be maintained.

D. Citizen Advisory Boards

Both a State Welfare Advisory Board and Local Advisory Boards are mandated by the General Laws of the Commonwealth. These boards, composed of members recommended through a screening process, represent recipients of categorical assistance, consumers of medical assistance, and other

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5 A Management Plan for Massachusetts, The Governor's Management Task Force, 1976, the Commonwealth of Massachusetts, pp. 73-75.

interested parties. The State Advisory Board focusses on issues of system-wide significance to recipients. It has recently been successful in getting the Department to reverse its position on legislation to extend the time for the processing of applications for public assistance and for hearing appeals but it has been less persuasive on budgetary matters.

The ten local boards which will increase to 22 are organized to look at how effectively the Department of Public Welfare operates through its local offices, gaps in service, and problems of low income people that may be addressed by the community's mobilization of its own resources. During the past year local boards have confronted a variety of issues successfully in different communities including the need for commercial banks to extend the hours for the sale of food stamps, the necessity for an emergency revolving fund for people caught in an unanticipated financial crisis, and the need to develop procedures to avoid the shut-off of utilities when circumstances are beyond the client's control. In addition to monitoring services, these local boards have the authority to advise the Commissioner on the selection of a Community Service Area Office Director.

IV.

CASH ASSISTANCE PROGRAMS

The major cash assistance programs in the Department of Public Welfare are Supplemental Security Income, Aid to Families with Dependent Children, and General Relief. Chart II illustrates the average monthly caseload growth for each of these programs over the last ten years.

A. Supplemental Security Income (SSI)

1. Purpose of the Program

The Supplemental Security Income Program (SSI) provides cash assistance to aged, blind, and disabled people with limited income and resources. It is a single comprehensive program, established by the federal government on January 1, 1974, to replace three separate state-run, federally assisted programs for the aged, blind and disabled. As the title implies, SSI payments in most cases supplement other sources of income (e.g., Social Security benefits) which often fail to meet basic needs. In addition to a direct cash payment, an individual on SSI is eligible for medical benefits and social services. Under federal regulations, persons eligible for SSI payments in Massachusetts are not eligible for food stamps. The Commonwealth chose to convert to cash the value of food stamps in December 1973 and add this amount ($10) to the individual cash payment.

Public interest in SSI has been extensive in part because it is the only vestige of welfare reform to emerge from the controversy over the Family Assistance Plan (FAP) which proposed a national guaranteed minimum income.[6] SSI did not result in a full federal takeover of payments for the aged, blind, and disabled but it did establish uniform eligibility requirements, a national minimum income for eligible persons, and a system

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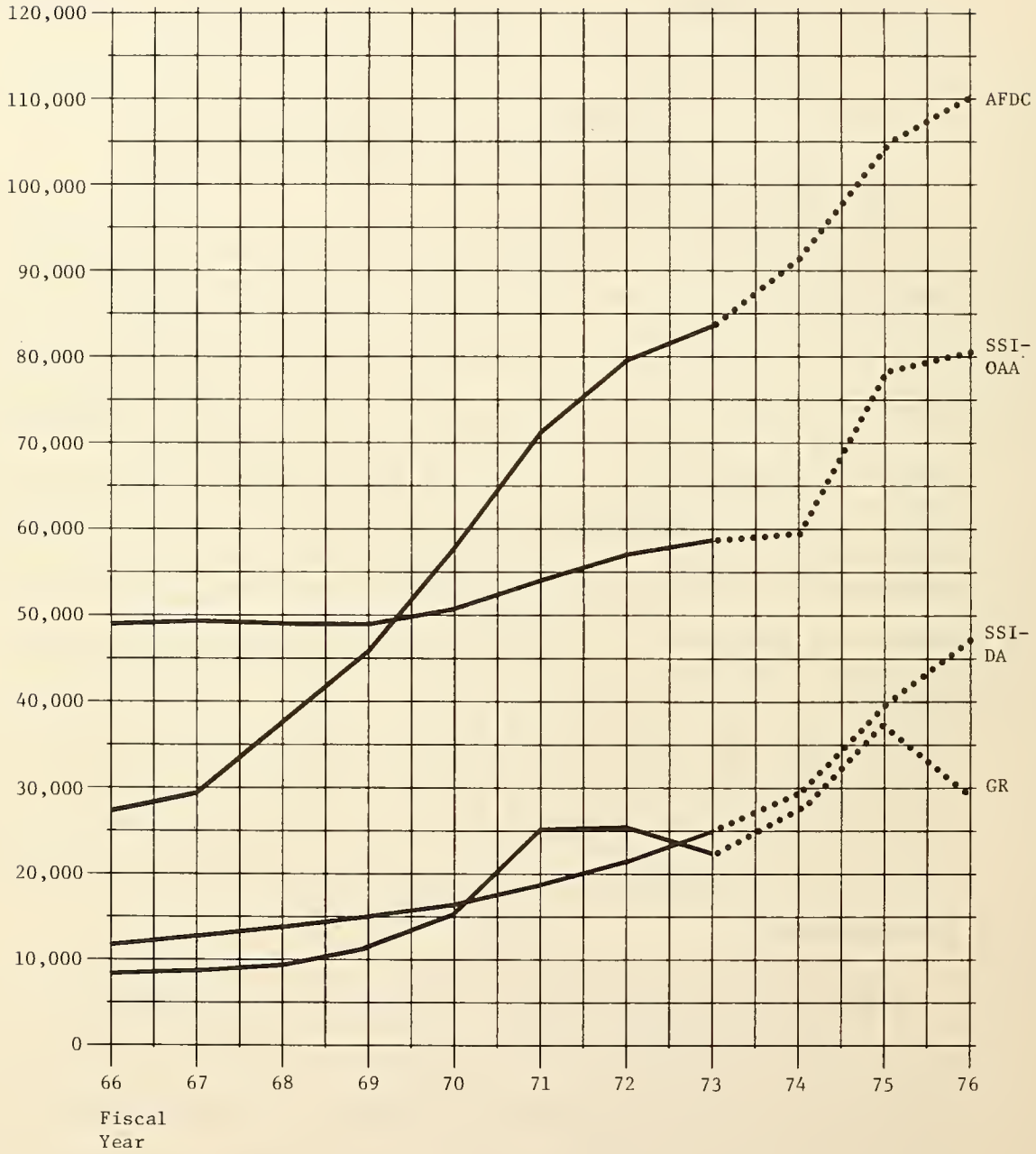
6 Massachusetts SSI Advocates Manual - Prepared by SSI Advocacy Center, 2 Park Square, Boston, MA 02116, August 1975, Part One: Introduction, Chapter 1: "General Information About SSI," p. 2.

Chart II

Average Monthly Caseloads For Cash Assistance Programs



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Changes in Source for Computation of Number of Cases

of direct federal payments.[7]

SSI is administered by the Social Security Administration and financed from the general funds of the U. S. Treasury. It provides a basic minimum grant to individuals which the states may supplement for all recipients and must supplement for those whose income would have been reduced by the change.[8] Massachusetts, like other states which supported benefit levels prior to SSI that exceeded the new minimum income, chose to supplement the federal payment for newly eligible recipients as well as for those persons already on the caseload. In Massachusetts, SSI recipients receive a single check from the Social Security Administration which combines the federal payment and the state supplement. The federal government than bills the Commonwealth each month for its share of the costs of the program.

2. Principal Eligibility Requirements

SSI shifted responsibility for the determination of eligibility from state agencies to the Social Security Administration which also administers the familiar Social Security program for retired people aged 62 and over. The Social Security Administration maintains a network of district offices throughout the state where SSI applications are accepted. Those people on the benefit rolls before January 1, 1974, under the existing state programs were automatically transferred ("grandfathered") into the new system. Other people who apply for benefits for the first time under the revised program must meet federal requirements for eligibility.

* Aged individuals must be 65 or over to be considered eligible for SSI payments;

* Blind or disabled individuals must meet the definition of blindness or disability applied to beneficiaries of the Social Security program;

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7 Memorandum to Department of Public Welfare Staff on "Supplemental Security Income Program" by Sumner J. Hoisington, Assistant Commissioner, December 7, 1973, p. 1.

8 "Early Experience Under the Supplemental Security Income Program" by James A Callison, Social Security Bulletin, U. S. Department of Health, Education, and Welfare, Social Security Administration, June 1974 - Volume 27 No. 6, p. 3.

- Blind individual: "An individual who has central visual acuity of 20/200 or less in the better eye with the use of a corrective lens..."[9]

- Disabled individual: "An individual who is unable to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected to last or has lasted for 12 months or can be expected to result in death..."[10]

* Disabled or blind individuals will be referred to state agencies for vocational rehabilitation services. A beneficiary who refuses the services offered without good cause will not be eligible for benefits."[11]

* Financial assets - things a person owns - may not exceed $1,500 for an individual and $2,250 for a couple. Excluded resources include a home with a market value of $25,000 or less, insurance policies with a face value on any one person of $1,500 or less, and a car if used for transportation to a job or to a place for medical treatment. Otherwise only the portion of the retail value of the car which exceeds $1,200 is counted.

* People may have some income and still receive SSI payments. In determining an individual's eligibility and the amount of his benefits, both earned and unearned income are taken into consideration.[12]

  - The first $20 a month in income from any source does not reduce the payment.

  - The first $65 a month in earnings does not affect the payment, but one half of additional earnings are deducted from the monthly SSI check. Special exemptions exist for blind and disabled people.

  - Apart from earnings, any other income above the first $20 a month generally reduces the payment amount. This includes Social Security benefits, veterans' compensation, workmen's compensation, pensions, annuities, gifts, and other income.

  - Payments are generally reduced if an individual lives in the household of another, shares expenses, or enters a private or public facility in which Medicaid payments are made on his behalf.

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9 Robert M. Ball, "Social Security Amendments of 1972: Summary & Legislative History," Social Security Bulletin, Volume 36, No. 2, p. 24.

10 Ibid, pages 24 and 25.

11 Ibid, page 25.

12 Helping the aged, blind, and disabled in Massachusetts. U.S. Department of Health, Education, and Welfare, Social Security Administration, DHEW Publication No. (SSA) 74-11130 - May 1974. U.S. Government Printing Office, 1974: 620-935/41, page 3 on income and page 4 on resources.

The most significant change from the pre-SSI assistance program occurred in the definition of an eligible person in the Disabled category. SSI removed age restrictions which formerly existed for eligibility of the disabled for the receipt of cash assistance, medical benefits, and social services. However, the definition of a disabled person under SSI is more restrictive than the test applied under the old federal-state program of Aid to the Permanently and Totally Disabled, one of the three programs replaced by SSI. The disability must be expected to last a year or more rather than six months. Adults who suffer from a condition that prevents employment but does not meet the statutory definition of disability for SSI should be referred to the state-financed General Relief Program.

3. Benefit Levels

In those states where the previous cash assistance level fell below the new SSI minimum, the federal government absorbed the entire cost of the program. In states like Massachusetts which already had benefit levels above the minimum income for the aged, blind, and disabled, the federal government developed a complex formula which draws on state funds to finance program costs. Three terms are essential to understanding the mechanics of the formula: (1) The Basic Federal Payment Standard refers to the guaranteed income payment made by the federal government to an eligible individual under the SSI Program ($158 to an individual in fiscal 1976 and $237 to a couple in fiscal 1976); (2) The Adjusted Payment Level (APL) is the average grant level that an individual would have received in January 1972 plus the $10 cash value of food stamps (the APL for an elderly person is $231.62); (3) The Optional Supplementary Level is the benefit level that a recipient with no other income is entitled to. The Optional Supplementary Level varies according to living arrangement and category (DA, OAA) of

eligibility. (The Optional Supplementary Level for an elderly person bearing full cost of living expenses in fiscal 1976 is $268.96).

As the financial formula applies to Massachusetts, the federal government pays the first $158 of the benefit that a recipient receives. The state shares in the difference between this Basic Federal Payment Standard and the Adjusted Payment Level up to a maximum obligation of $58 million. The state pays all the costs of supplementation above the Adjusted Payment Level. The costs of State Supplementation for the Aged, Blind, and Disabled will amount to an estimated $52 million for fiscal 1976.[13] The total fiscal 1976 expenditure was $110 million.

The determination of benefit levels is geared to category of eligibility, family status, and living arrangement. The five major living arrangements which determine the benefit level are the following: (1) full cost of living expenses; (2) shared living costs; (3) living in the household of another; (4) commercial boarding; and (5) rest home care. Fifty-five percent of SSI aged and disabled recipients live in the first living arrangement (full cost of expenses) and 24 percent of these recipients live in the second arrangement (shared living costs).[14] SSI also provides individuals in nursing homes a personal care allowance of $25 per month. Medicaid pays the daily rate in the nursing home.

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13 This estimate is based on the combined expenditures of the Department of Public Welfare and the Massachusetts Commission for the Blind for fiscal 1976 of $110 million for the SSI Program. The Massachusetts Commission for the Blind has historically been responsible for the provision of direct financial aid and medical and social services to blind welfare recipients. This organizational arrangement persists even though the federal statute establishing the SSI Program draws no distinction between the blind and other eligible persons. Consistent with this traditional administrative division, the state's share of the expense for cash assistance for blind recipients under the SSI Program is reflected in the budget for the Commission for the Blind.

14 Refers only to the Aged and Disabled.

Table 2 shows the maximum benefit levels for an individual paying the full cost of his living arrangement and for a couple sharing expenses in fiscal 1976.

Table 2

Monthly Benefit Levels for Individual and Couples Living Independently

Category of Assistance	Individual	Couple
Aged	$268.96	$409.52
Blind	291.99	583.98
Disabled	258.61	394.00

Outside income such as Social Security payments is used first to reduce the federal share of the SSI payment, then the state supplement. Since about 70 percent of SSI recipients in Massachusetts have unearned income, principally Social Security, they do not receive the full cash benefit under SSI. The average SSI payment in fiscal 1976 was $144.34.

4. Comparative Benefit Levels

Table 3 compares the benefit levels for individuals and couples in the 15 largest states. It shows which of those states supplement with state dollars the basic federal payment to newly eligible persons as well as recipients on the caseload in December 1973. Among those states which provide optional supplementation, Massachusetts has the highest benefit standard for individuals and ranks second to California in the benefit standard for couples.

Benefit levels for recipients in Massachusetts received a boost when a new state law, aimed primarily at the elderly, authorized a one-time, 10 percent increase in the standard for assistance, effective March 1, 1974. This "guaranteed minimum income" bill also provided for an annual cost-of-living adjustment for SSI recipients which amounted to 6 percent for fiscal 1975. The objective of the combined increase was to bring the standard of

living for the elderly close to the Bureau of Labor Statistics Intermediate Level Budget which measures the consumption costs for middle income families. The components of the Intermediate Level Budget include food, shelter, transportation, clothing, medical care, recreational items, social security payments, and personal income taxes. The General Court enacted special legislation to defer this cost-of-living increase for fiscal 1976 in response to the state's fiscal crisis.

Table 3

Benefit Levels for SSI Recipients in Independent Living Situations in the 15 Largest States, August 12, 1975*

State	Individual	Amount	State	Couple	Amount
MASS.		$269	CALIF.		$488
CALIF.		259	MASS.		410
N.Y.		219	N.Y.		313
MICH.**		184	MICH.		273
N.J.		182	PA.		267
PA.		178	N.J.		250
ILL.		175	ILL.		237
GA.		158	GA.		237
FLA.		158	FLA.		237
IND.		158	IND.		237
MO.		158	MO.		237
N.C.		158	N.C.		237
OHIO		158	OHIO		237
VA.		158	VA.		237
TEXAS		158	TEXAS		237

* Most states provide the same level of supplementation to all SSI recipients. However, some variation in the rank order exists because a few states offer levels of supplementation to the blind or disabled different from those for the aged. For example, Massachusetts offers a higher supplementation level to the blind than the aged and a lower supplementation level to the disabled.

** $170 for newly eligible individuals.

Source: U. S. DHEW, SSA, Bureau of Supplemental Security Income for Aged, Blind, and Disabled. Report Symbol: ISS-12-100

5. Caseload Trends

The federal government intended the SSI program to extend a basic minimum income to more people than those served under the three separate programs of assistance to the Aged, Blind, and Disabled. It predicted that the total number of aged, blind, and disabled recipients (3.4 million in 1973) would double nationwide.[15] In Massachusetts, a more modest 25 percent increase in the caseload was anticipated since the state had fairly generous payment levels under the previous program which enabled many aged, blind, and disabled individuals with some income to qualify for assistance. Additional people, particularly the elderly who were reluctant to apply to the Department of Public Welfare for assistance, were expected to file for benefits once these came under the Social Security Administration. Also, the new state law which boosted benefit levels 16 percent over a five-month period was expected to contribute to expansion of the caseload. This increase in the standards for assistance made many people whose income hovered just beyond the old limits eligible for assistance.

The state guaranteed minimum income bill generated controversy despite its praiseworthy aims because of the potential impact on the size of the caseload and costs. Under the previous programs of Aid to the Aged, Blind, and Disabled the state paid only 50 percent of any increase in grants on a smaller caseload. The new formula for financing SSI required the state to pay the full cost of supplementation above the Adjusted Payment Level (the average grant in January 1972) on a larger caseload. The state's share of the costs of the program grew from $60 million in fiscal 1973 to $116 million in fiscal 1975.

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15 Supplemental Security Income, Social Security Administration, U. S. Department of Health, Education, and Welfare, pg. 8.

Table 4 indicates that the total caseload increased nearly 30 percent between fiscal 1974 and fiscal 1975 probably reflecting the outreach effort by the federal government in regard to the new program as well as the higher payment standard in Massachusetts. The marked slowdown in the rate of caseload growth for the Aged category in fiscal 1976 suggests that the program may have begun to exhaust the pool of eligible residents aged 65 and over in the Commonwealth. The number of cases on Old Age Assistance rose 35 percent from 89 per 1,000 in 1974 to 114 per 1,000 of the state population aged 65 and over in 1975. If this explanation is correct, then increases in the number of elderly recipients in future years will be less dramatic and more closely linked to change in the proportion of state residents in this age bracket.

Table 4

Average Monthly Caseload	Aged	Blind	Disabled	Total	% Change
Fiscal '73	57,439	2,971	25,220	85,630	
Fiscal '74	58,742	2,861	29,839	91,442	6.8%
Fiscal '75	76,775	2,927	38,814	118,516	29.6%
Fiscal '76*	80,500	3,275*	46,960	130,735	10.3%

* Average unavailable. Massachusetts Commission for the Blind's best available number based on check disbursement for September 1976.

B. Aid to Families with Dependent Children (AFDC)

1. Purpose of the Program

The AFDC Program provides income to children and the relative(s) who care for them when the family has been deprived of parental support through death, separation or unemployment. In addition to direct cash payments, a family on AFDC is eligible for medical benefits, food stamps, and emergency assistance. The Emergency Assistance Program is limited to payments for needs which arise in a natural disaster or catastrophe (e.g., replacement of

household items lost in a fire). It replaced the more generous Hardship Program which was cut back in an austerity move deemed necessary to offset the fiscal 1976 deficit.

2. Principal Eligibility Requirements

* Eligibility is restricted to families with children under 18 (under 21 if in school).

* Personal property (ownership of cash, bank deposits, securities, automobiles) may not exceed $1,000.

* No ownership of real estate other than a home is permitted.

* Ownership of one automobile when necessary does not affect eligibility.

* Life insurance policies' value is limited to $1,000.

* Families with an unemployed father may be eligible for AFDC provided that the unemployed father:

  - Is not receiving unemployment compensation (UC);

  - Has not refused without good cause a bona fide offer of suitable employment or training for employment within 30 days prior to eligibility for AFDC;

  - Has 6 quarters or more of work in which he received earnings of not less than $50.00 in each quarter; or

  - Participated for 6 quarters out of any 13 quarters ending one year prior to the application in a community work and training program under the Work Incentive Program;

  - Was qualified to receive UC under an Unemployment Compensation law of any state or of the United States sometime during the year prior to application for AFDC but did not apply for UC; or

  - Performed work not covered by UC, which if covered would have created eligibility for UC within one year prior to the application for AFDC;

  - Is currently registered with the Massachusetts Division of Employment Security.

  - Revised federal regulations require every individual included in the AFDC grant to register with the Work Incentive Program (WIN), jointly administered by the Department of Labor, Massachusetts Division of Employment Security and the Massachusetts Department of Public Welfare, for manpower services, employment, or training as a condition of initial and continuing

eligibility for the receipt of assistance unless declared exempt. Those individuals automatically exempt from registration include (a) recipients under 16 years of age, (b) recipients age 16 but under 21 attending school, (c) recipients who are ill or incapacitated, (d) mothers of children under 6, and (e) the mother of a family unit where the father is a WIN registrant.

- In addition to registration with the Division of Employment Security, an unemployed father is also a mandatory registrant for the WIN Program. He can be excluded from the budget although other members of the family will not necessarily be denied assistance if he fails to comply with this dual registration requirement.

3. Benefit Levels

The Department of Public Welfare instituted a new consolidated grant system in November 1975. Under the new system, the monthly cash payment is determined solely by family size and living arrangement, eliminating the individualized allowances (e.g., for therapeutic diets, high rents) that many families received. These allowances had created inequities among families and increased the likelihood of computational errors in the determination of payments.

The consolidated budget, which averaged out individual allowances, covers the following basic needs: food, rent or charges at a home, fuel and utilities, household supplies, clothing and personal care items. A quarterly payment (flat grant) supplements the bi-monthly assistance check. Table 5 shows the monthly benefit level for fiscal 1976 under the consolidated grant system adjusted to reflect the impact of the quarterly payment.

Table 5

Monthly Cash Assistance Fiscal Year 1976

Family Size	1	2	3	4	5	6
Monthly Grant	$190.20	$231.90	$281.30	$330.80	$380.20	$429.70
One Third Flat Grant	14.40	28.53	33.10	37.67	42.23	46.83
Cash Total	$204.60	$260.43	$314.40	$368.47	$422.43	$476.53

Although food stamps increase the resources available to AFDC families for their daily needs, their adjusted income levels fall below the poverty

line. The poverty line is a threshold established by the federal government annually to measure minimum subsistence income requirements. Table 6 shows the relation of AFDC benefit levels, including the cash value of food stamps, to the poverty line for families of two, three, and four persons.

Table 6

AFDC Family Size	Adjusted AFDC Benefit Level*	Poverty Line April 1976	% Relations of Adjusted Benefit Levels to Povert
2 persons	$3,413	$3,700	-7.8%
3 persons	4,277	4,600	-7.0%
4 persons	5,166	5,500	-6.1%

* The adjusted benefit level assumes that all families use food stamps and that they have no outside income. It is equal to the total cash payment plus the "bonus" value of food stamps. The bonus value of food stamps is the difference between what families pay for their monthly coupon allotment and what they receive in stamps. Sales tax credits and value of housing subsidies not included.

This comparison of AFDC benefits to the poverty line excludes the cash value of Medical Assistance since the estimate of the poverty line does not make provision for medical expenditures. Other benefits available to low income people such as housing subsidies, rental assistance and child care are also excluded from this analysis since all recipients do not partake of these subsidies. Taken together these non-cash benefits are an important factor in bringing many AFDC recipients up to or above the poverty line.

The fiscal 1977 budget authorizes a 5 percent cost-of-living increase to AFDC families but, for the first time, limits the adjustment to the basic monthly grant. The most recent adjustment in the grant prior to this increase was a 4 percent hike authorized in fiscal 1975. The 5 percent grant increase will not change the AFDC family's basic position in relation to the poverty line because this threshold is revised upward annually to reflect the impact

of inflation on the cost of goods and services. However, income on AFDC is close to the minimum wage of $2.10 an hour.

4. Recent Caseload Trends

Chart II shows that AFDC caseload growth which was subject to rapid increase in fiscal 1975 slowed down in fiscal 1976. The AFDC caseload increased by 13,130 cases in fiscal 1975. In contrast, the caseload increased by only 3,130 cases in fiscal 1976. There are currently 112,267 families and approximately 360,000 recipients on AFDC. The Department of Public Welfare reports that the average length of stay on AFDC has increased from three years and eight months at the beginning of fiscal 1975 to three years and eleven months at the beginning of fiscal 1976. In addition to the family caseload, the Department claims reimbursement for 2,500 children in Foster Care who meet the federal eligibility requirement for this specialized component of the AFDC program.

The Department of Public Welfare anticipated that AFDC would grow at a slower rate if the Massachusetts economy improved and if the proposed cost-of-living increase for recipients was deferred for fiscal 1976. The theory regarding the impact of the cost-of-living increase is that each rise in benefit levels contributes to growth in the number of cases because it expands the pool of people eligible for assistance. Many individuals whose incomes hover just beyond the AFDC benefit levels become eligible for assistance under the new, higher income limits and some are encouraged to come on to the caseload.

Nearly half of the growth that did occur in the AFDC caseload during fiscal 1976 can be attributed to an increase in the number of families with an unemployed father. The Supreme Court decision in the case of Glodgett vs Philbrook implemented by the Department on September 19, 1975 made more people eligible for AFDC by allowing unemployed fathers to choose either unemployment compensation or AFDC-UF. AFDC-UF may provide higher benefits than Unemployment Compensation where wages have been low. Unemploy-

ment Compensation generally pays 50 percent of the gross average weekly wage up to wages of $202 plus $6 additional per week for each dependent (excluding the claimant's wife) up to a maximum of eight. The maximum individual payment which rises every year will increase from $101 per week to $108 per week on claims effective on or after October 1st, while the maximum number of dependents will go up to nine.

Although the AFDC-UF component of the caseload accounted for only 4.6 percent of the total number of families at the peak of its growth this year, it was responsible for 44 percent of the increase in the entire caseload between November 1975 and June 1976.[16] Chart III shows the sudden upswing in the number of these cases.

5. Comparison of State Expenditures for AFDC

Chart IV shows that a relationship exists for the fifteen largest states between wealth and per capita AFDC expenditures. In general, the wealthier a state the more public funds it is likely to spend on AFDC. Massachusetts falls somewhat out of line. While only the sixth wealthiest state, it ranks third, together with Illinois, in per capita expenditures ($68.73) for AFDC, below Michigan ($72.14) and New York ($77.25). This ranking suggests that other factors such as social and political attitudes may interact with wealth to determine the amount of resources that are allocated to public assistance programs during the budget process.

Table 7 shows that per capita expenditures are a function of the average payment provided to recipients and the percent of the population on AFDC. While Massachusetts is second in terms of average payment levels, it

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16 Slight adjustment in the AFDC-UF caseload because of the change in the method of computing the number of cases.

Chart III

Unemployed Father Caseload January 1975 to June 1976

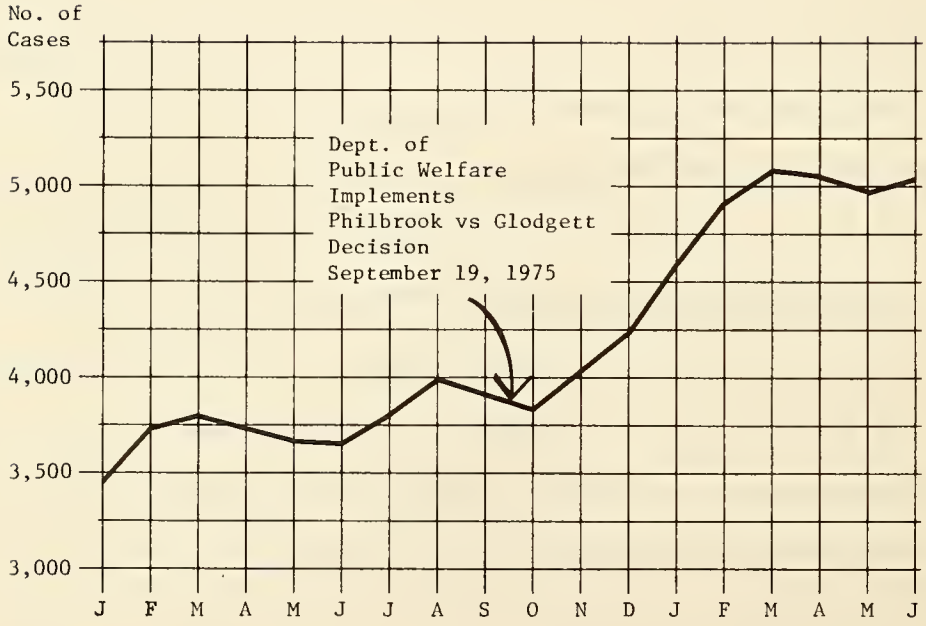
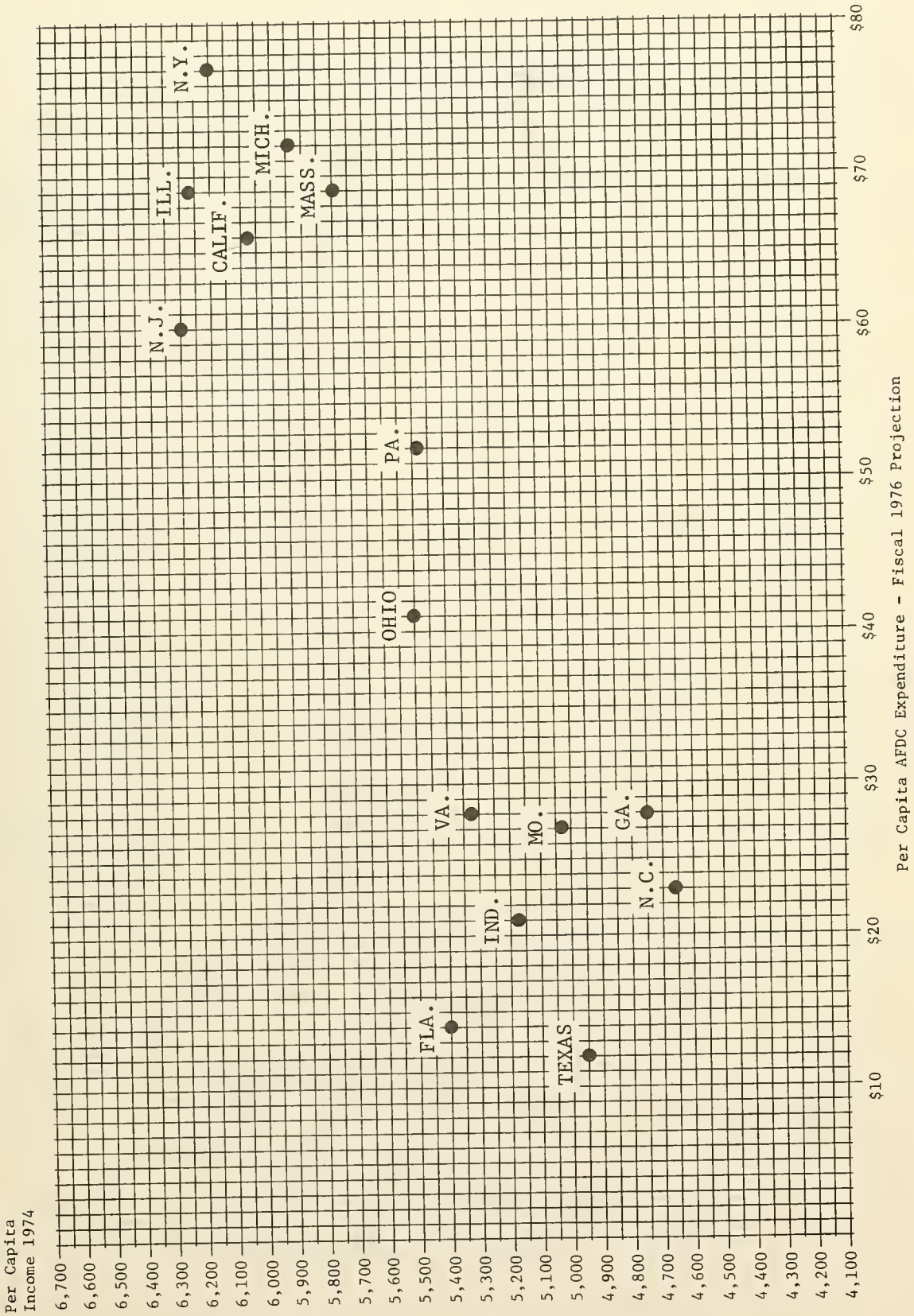


Chart IV

Wealth is An Important Determinant of State Expenditures for AFDC



ranks third in terms of per capita expenditures because a smaller percentage of the population is on AFDC than in some other states.[17]

Table 7

Rank Order of Largest States by Per Capita-AFDC Expenditures
Average Payments and Percent of Population Assisted
July-September 1975

State	Rank Per Capita Expenditure*	Rank Average Payment	Rank Percent of Population on AFDC
N.Y.	1	1	4
MICH.	2	3	3
MASS.	3	2	6
ILL.	3	7	2
CALIF.	5	4	5
N.J.	6	5	7
PA.	7	6	9
OHIO	8	8	10
GA.	9	15	1
VA.	9	9	11
MO.	9	12	8
N.C.	12	11	12
IND.	13	10	13
FLA.	14	13	15
TEXAS	15	14	14

* Those states which tie for the same rank have nearly identical per capita expenditures. For example, our analysis estimates that Massachusetts spends $68.73 per resident per year and Illinois spends $68.63.

Average payments to recipients equal payments minus refunds (e.g., returned checks, child support collections).

For example, Michigan has a somewhat lower average payment level but ranks second in per capita expenditures because it has a larger proportion of its population on AFDC.

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17 This analysis is based on data published in DHEW Publication No. (SRS) 76-03100 NCSS Report A-2 for July, August, and September of 1975. These state-by-state reports include payments for the AFDC Foster Care component of the AFDC Program. It was necessary to correct the Massachusetts data for the omission of Foster Care data for July and August and the failure to report refunds. Without estimation of refunds, recipient payments would be overstated.

However, the relatively high payment level that Massachusetts provides to recipients appears more in line in relation to other states when the cost-of-living in the Commonwealth is considered. Chart V adjusts the average recipient payments in five states so that their payments assume the Massachusetts cost of living. Thus when Massachusetts is compared to California the table shows that $5.93 of the difference in payment levels between the two states is attributable to the higher cost-of-living in Massachusetts.

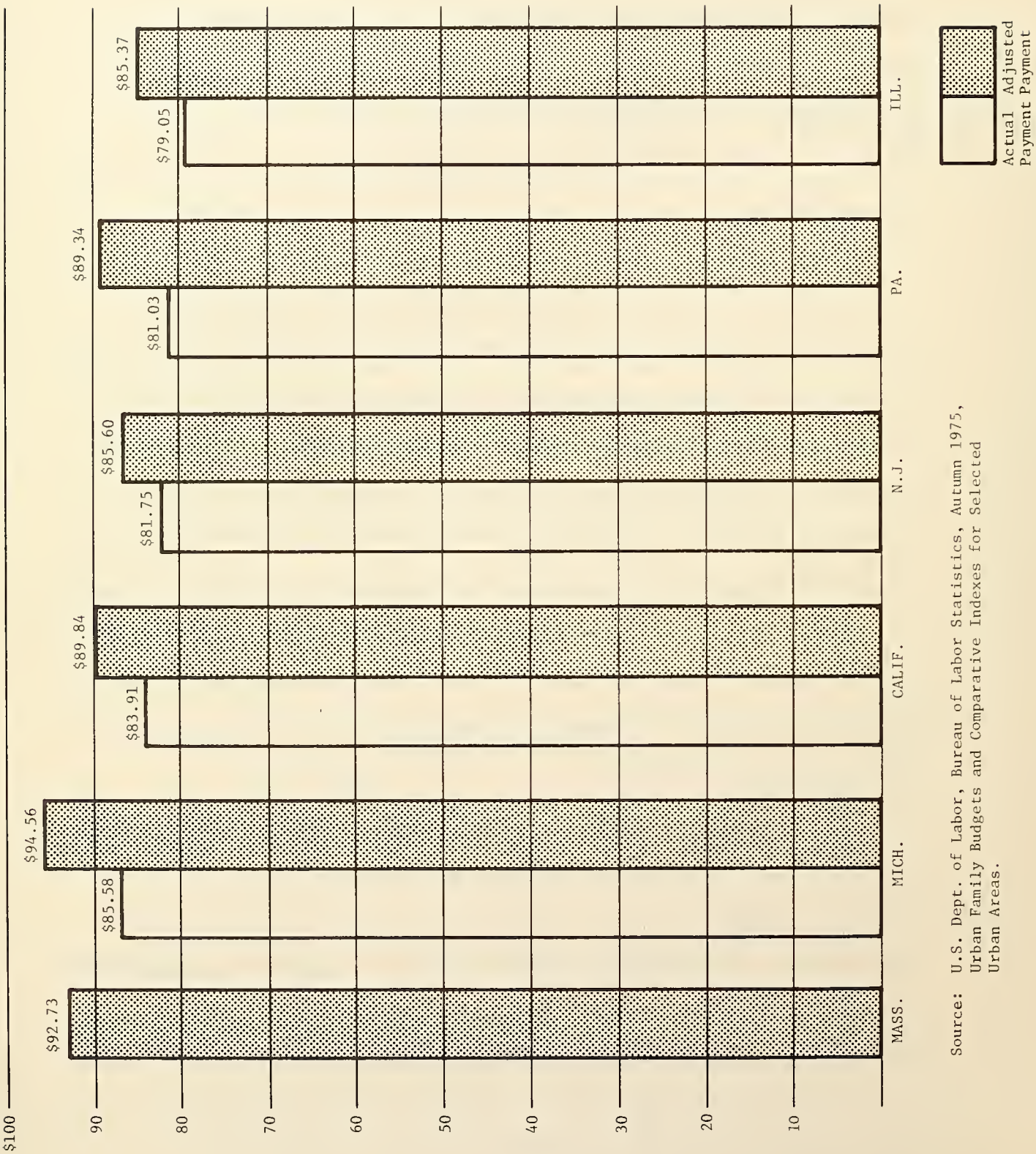
6. The Work Incentive Program

The 1967 Amendments to the Social Security Act created the Work Incentive Program (WIN) in response to growing Congressional concern over the rapidly rising AFDC caseload. The intent of the program was to move AFDC recipients from welfare to work through the provision of monetary incentives, training and supportive services (e.g., day care). The Congress proceeded on the assumption that many people chose welfare over work because they lacked the skills to find decent jobs or faced impediments to employment like the lack of funds to cover child care costs. The program is under the joint administration of the United States Department of Labor, Massachusetts Division of Employment Security (DES) and the Massachusetts Department of Public Welfare.

The original focus of WIN was on voluntary participation in work or training programs. When it became apparent that this strategy which included a financial incentive (recipients retain the first $30 and the remaining one third of their earnings) would not reverse the tide of AFDC caseload growth, Congress passed new legislation to "tighten up" the program. The 1972 Amendments to the Social Security Act shifted the emphasis from preparation for employment to immediate job placement. These Amendments also made registration for WIN mandatory as a condition for the receipt of assistance for unemployed fathers, youth over 16 and out of school, pregnant

Chart V

Average Payments to Recipients
Adjusted for Interstate Differences in the Cost of Living



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Autumn 1975, Urban Family Budgets and Comparative Indexes for Selected Urban Areas.

women and mothers under 19, and mothers with children over 6 years of age. Registration for WIN was made voluntary for AFDC mothers with children under 6 and ill or incapacitated recipients were exempted from the program. The two priorities in terms of enrollment in the program became unemployed fathers and mothers who volunteered for participation regardless of the age of their children.

In March 1976 new federal regulations governing the WIN Program took effect. These requirements shift the responsibility for the registration of recipients from the Department of Public Welfare to the WIN Unit of the Massachusetts Division of Employment Security. The DES/WIN staff registers all mandatory and voluntary registrants promptly upon referral from the Department of Public Welfare. At the time of registration, the DES/WIN staff obtains a complete work history and provides the client with job market information.

The ultimate sanction for refusal to register or participate in the WIN Program without good cause is denial of eligibility for an AFDC grant to the individual and in specific circumstances to the entire family. For example a family with an unemployed father cannot receive AFDC if he has refused altogether to register for work under either the AFDC-UF or the WIN Program.

During fiscal 1976, 34,558 recipients of cash assistance registered for the WIN Program. The Division of Employment Security completed 24,181 appraisals. Those recipients deemed employable upon appraisal entered a variety of activities geared toward training or work. Nearly 6,400 found full-time, unsubsidized employment either on their own or through the Division of Employment Security.[18] The welfare savings generated through

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18 The 6,390 recipients who entered unsubsidized employment are drawn from the entire pool of AFDC registrants, not just those who registered for the Work Incentive Program in fiscal 1976.

reductions in the grants to employed recipients amounted to an estimated $720,000 per month.

7. Tax Credits for Employers

Simultaneously with the increasing emphasis in welfare policy on putting recipients to work, the state and federal governments have established tax credits to encourage employers to hire recipients:

a. The Federal Revenue Act of 1971 established a tax credit equal to 50 percent of an employee's wages for the first year of employment for those businesses or industries who hire WIN registrants, provided these registrants are retained for a second year. This tax credit applies to all wages up to a ceiling for any one tax year of $25,000 plus one-half the amount over $25,000. The WIN tax credit, which applied to wages for taxable years beginning after December 31, 1971 is a permanent part of the tax structure with no expiration date.

b. The Federal Tax Reduction Act of 1975 allowed employers of AFDC recipients (whether or not they are WIN registrants) to claim a tax credit equal to 20 percent of wages and salaries, provided the employee had received AFDC benefits at least 90 days and was retained substantially full-time for more than 30 consecutive days. This tax credit applied to private household employees as well as employees in business and industry. However, the credit for wages for each private household employee was subject to a cutoff of $5,000. The credit on other wages was subject to a ceiling for any one tax year of $25,000 plus one-half the amount over $25,000. The welfare tax credit which was in effect for a limited period to test its effectiveness in opening up jobs for people on AFDC applied to wages paid to workers hired after March 29, 1975 for work they did before July 1, 1976.

c. The State Employment Opportunity Incentive Program is broader in scope than the federal programs as it is not restricted to AFDC recipients.

It allows certain manufacturing and research and development corporations to claim a $500 tax credit for every new full-time job created by the corporation in Massachusetts when the employees hired come directly from public assistance programs, approved training programs, or the unemployment compensation pool of the Massachusetts Division of Employment Security.

C. General Relief (GR)

1. Purpose of the Program

General Relief is a state-financed program of cash assistance. It is all that remains of the once all-inclusive poor relief programs of Massachusetts. More recently, it has been regarded as a back-up program that served the needs of (1) temporarily unemployed people ineligible for unemployment compensation or who had exhausted these benefits; (2) temporarily disabled people not meeting the stringent SSI requirements for Disability Assistance, and (3) single persons and childless couples ineligibile for federal programs.

General Relief, in effect, closed the gaps left by the federally supported categories of cash assistance until the enactment of Chapter 618 of the Acts of 1975. This legislation restricted the scope of eligibility for General Relief to nonemployable individuals and employable or nonemployable families with dependent children. The fiscal 1976 budget, Chapter 684, subsequently eliminated all medical benefits with the exception of life sustaining drugs for General Relief recipients. Because the caseload declined beyond expectation as a result of the denial of eligibility to employables, the Commissioner revised his estimates saying funds were available in fiscal 1977 for the partial restoration of medical benefits.

2. Principal Eligibility Requirements

Under Chapter 618, those persons no longer eligible for General Relief include: (a) childless individuals who have been determined employable; (b)

students regularly attending school beyond the secondary level; and (c) families awaiting the receipt of unemployment compensation or AFDC benefits.

To qualify for General Relief payments, applicants or recipients aged 16 or over must fall into one or more of the eligible categories specified by the Department. Among these categories of individuals are: (a) people with a medically verified mental or physical incapacity that limits or prevents employment; (b) drug addicts or alcoholics actively participating in a rehabilitation program; and (c) residents of a half-way house or treatment center for alcoholics or drug addicts, or for individuals discharged from a state mental hospital or a state school for the retarded. Individuals aged 65 or over awaiting the determination of eligibility for SSI benefits and ex-offenders released from prison two months prior to the date of application for General Relief also qualify for assistance payments.

Personal property assets are limited to $250 for an individual and $500 for a case with one or more dependent persons.

3. Benefit Levels

The benefit levels for General Relief are lower than the benefit level for AFDC or SSI. This disparity can probably be attributed to the fact that the General Relief program is financed entirely from state funds and that it has historically been viewed as a temporary form of assistance. A majority of cases on General Relief are single persons as most families in need qualify for AFDC through the "basic" program or the unemployed father program. Table 8 shows the monthly benefit level for individuals without other income in the four different living situations recognized by the General Relief assistance plan. Additional amounts may be added to the monthly grant to cover individual needs (e.g., $26 to $28 for a diabetic diet).

Table 8

Monthly Cash Assistance

Living Arrangements	Benefit Level
I. Full responsibility for household expenses*	$133.60-$141.40
II. Shared responsibility for household expenses	$ 92.30
III. Boarding**	$ 89.40-$111.30
IV. No responsibility for household expenses	$ 51.10

* The grant is lower if an individual maintains his own household but resides with others.

** The grant is lower if an individual boards with a child or parent rather than with another person or in a commercial boarding house. If the recipient lives in a licensed rest home, General Relief pays for the cost of care plus a monthly personal needs allowance of $14.50 per week.

While the benefits provided to General Relief recipients are low in absolute terms, Massachusetts average recipient payment level is high when compared with other states. Table 9 compares the average recipient payment in Massachusetts to those large states which report data on a general assistance program. These programs may be either state or county/township administered and are called "Home Relief," "General Assistance," etc.

Table 9

Rank Order of Largest States by Per Recipient Payment*

State	Average Monthly Payment	Rank Order
MICH.	$127	1
PA.	117	2
MASS.	110	3
N.Y.	108	4
ILL.	106	5
CALIF.	103	6
N.J.	81	7
VA.	75	8
OHIO	73	9
MO.	62	10
GA.	30	11
N.C.	20	12

* Data not reported for Florida, Indiana, or Texas.

Source: DHEW Publication No. (SRS) 76-03100, NCSS Report A-2 for July, August, September 1975.

4. Caseload Trends

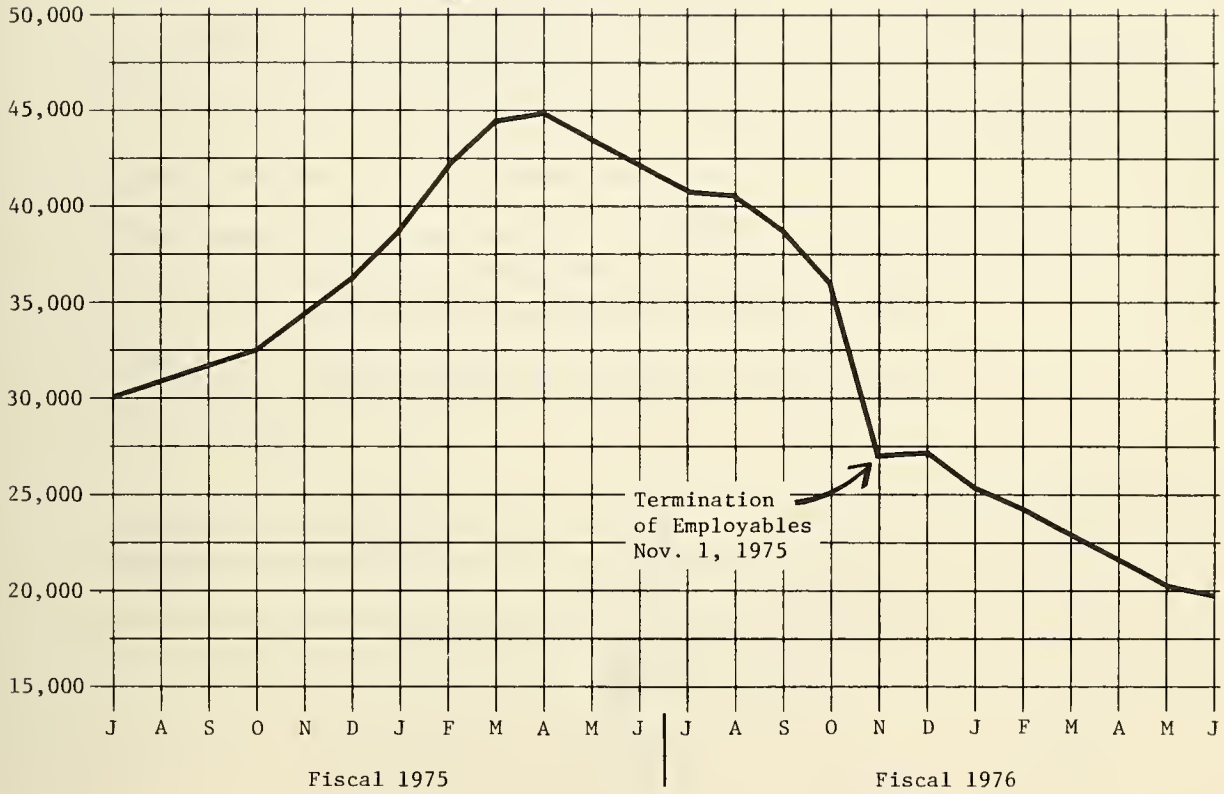
The General Relief caseload had been increasing at an average rate of 5 percent a month during fiscal 1975 prior to the Governor's proposed policy change regarding eligibility. To a large extent the unanticipated growth in the General Relief caseload before the policy change was linked to the economic recession. The Massachusetts rate of unemployment rose from 8.4 percent in October 1974 to 11.8 percent in March 1975. As job opportunities declined, particularly in manufacturing, trade and service industries, employees moved to the welfare rolls.

The recommended restriction on eligibility originated with the Governor's Task Force on Welfare Savings which had been examining ways to reduce the Department's budget in order to reduce the size of the fiscal 1976 deficit. The eligibility change was controversial because of the potential hardship that it posed for a selected group of welfare recipients. The final decision to drop employables from the caseload was apparently influenced by the belief that many of the cases on General Relief were youths who sought public assistance rather than rely on relatives or take "any job" available. It was supported by information from the Massachusetts Division of Employment Security which reported that it had more than 5,000 jobs in its resource bank for employable persons.

The sweeping impact of the new restrictions was shown by the sharp decline in the caseload. As Chart VI shows, the number of cases fell from 41,086 in July 1975 to 26,991 in November when those restrictions were finally implemented. More than 5,000 cases disappeared in the interim period, July through October, as publicity about the cutbacks spread. Table 10 shows the dramatic shift in Massachusetts' position in relation to other states in terms of the percent of the population on a state or state-local financed relief program as a result of this policy change.

Chart VI

Average Monthly General Relief Caseload - Fiscal 1975-1976



The caseload which leveled off to 19,975 in June after appeals were heard is expected to remain relatively stable through fiscal 1977 although subject to incremental increases in the number of recipients through population growth, the cost of living hike, and the partial restoration of medical benefits. The decision to restore medical benefits responds to the findings of a Department of Public Welfare Study performed at the request of the Commissioner. That survey found, not unexpectedly, that the elimination of benefits made it difficult for some clients to obtain medical care and discouraged others from seeking the help that they needed through alternative sources.[19]

Table 10

Number of General Assistance Recipients Per 1,000 Of the Population

State	June, 1975	State	December, 1975
N.Y.	12.5	N.Y	13.1
PA.	11.2	PA.	12.2
MASS.	9.4	MICH.	8.3
MICH.	8.1	ILL.	8.0
ILL.	7.7	N.J.	7.7
N.J.	7.4	OHIO	6.1
OHIO	5.8	MASS.	5.4
CALIF.	2.5	CALIF.	2.5
VA.	2.5	VA.	2.3
MO.	2.2	MO.	2.0
N.C.	1.1	N.C.	1.0
GA.	.7	GA.	.9

Source: DHEW Publication No. (SRS) 76-03100, NCSS Report A-2 for June 1975 and December 1975.

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19 Office of Research and Planning, Department of Public Welfare, "Elimination of the General Relief Medical Program, The 3-Month Impact on Unemployable Recipients of General Relief", May 1976.

V.

MEDICAL ASSISTANCE

1. Purpose of the Program

The Medicaid Program is a jointly funded federal-state program which provides medical care to needy individuals. The states are required to administer the program and have considerable latitude in defining its scope. Categorical recipients of AFDC and SSI cash assistance programs and those who would qualify as recipients if they applied must be covered by the states. This mandatory group is called the "categorically needy." The state may, if it chooses, extend coverage to the "medically needy." The "medically needy" though ineligible for cash assistance, are eligible for medical services because their income is deemed insufficient by state standards to meet the costs of necessary medical care.

2. Benefits

The federal government requires the states to provide certain basic Medicaid services that may be grouped as follows:

a. Inpatient hospital care for illnesses other than tuberculosis or mental disease;

b. Outpatient hospital services;

c. Other laboratory and X-ray services;

d. Skilled nursing home services for people 21 and over;

e. Home health services for any eligible individual entitled to skilled nursing home services;

f. Early and periodic screening, diagnosis, and treatment for individuals under 21;

g. Family planning services;

h. Physicians services;

States may expand coverage to include a number of other items of medical service and receive federal reimbursement:

a. Clinic services;

b. Prescribed drugs;

c. Dental services;

d. Prosthetic devices;

e. Eyeglasses;

f. Private duty nursing;

g. Physical therapy and related services;

h. Other diagnostic screening, preventative and rehabilitative services;

i. Emergency hospital services;

j. Skilled nursing facility services for patients under 21;

k. Optometrists services;

l. Podiatrists services;

m. Chiropractors services;

n. Care for patients 65 or older in institutions for mental disease;

o. Care for patients 65 or older in institutions for tuberculosis;

p. Care for patients under 21 in psychiatric hospitals; and

q. Institutional services in intermediate care facilities including institutions for the mentally retarded.

In addition to these 17 services states may, at their option, provide transportation for patients, personal care in the home, the services of Christian Science nurses, and the services of Christian Science sanatoria.

If a state chooses to provide Medicaid coverage to the "medically needy" population it may offer the basic services required for categorical recipients or substitute a combination of seven services with some exceptions, as specified by the Department of Health, Education, and Welfare in the Code of Federal Regulations. As a practical matter, most states which have a "medically needy" program offer the same services as in their "categorically needy" program.

Massachusetts extends services to the medically needy and offers fifteen of the seventeen major optional services though some of these services (prosthetic devices, private duty nursing, optometry, and podiatry) have restrictions. The Commonwealth no longer offers chiropractic services nor does it provide Medicaid coverage for individuals under 21 in psychiatric hospitals. Dental care for adults which was eliminated during fiscal 1976 has recently been restored in the fiscal 1977 budget.

3. Principal Eligibility Requirements

In order to be eligible for Medical Assistance in Massachusetts a person must either be a categorical recipient of AFDC or SSI or qualify for the "medically needy" program. The income and personal assets limits for "medically needy" individuals are higher than for the categorically needy but the other eligibility requirements for AFDC (e.g., deprivation of parental support) and SSI (age, blindness, or disability) must be met. The only exceptions to this in Massachusetts are children under age 21 who qualify for medical assistance if their family's income and assets fall below the medically needy level although the children are not "deprived of parental support." In addition to specific limits on the amount of personal and real property and life insurance one can own, the main eligibility requirements for the "medically needy" program is the size of a person's net income.

Net income is determined by deducting certain allowable amounts from the total income. The principal deductions are as follows:

a. Tuition grants for education;

b. Up to $20 per month of unearned income (such as interest and dividends);

c. Up to $65 per month of earned income ($85 if there is no unearned income) plus 1/2 of all additional income;

d. Infrequent or irregular unearned income up to $60 per quarter;

e. Infrequent or irregular earned income up to $30 per quarter;

f. A personal maintenance allowance which must be at least equal to the highest cash assistance grant provided and can be set as high as one-third above the AFDC benefit level. In Massachusetts the allowance permitted is $272 for a single individual, $75 for a second individual, $43 for a third individual, and $50 for each additional individual beyond three.

After these deductions from total income are made, the balance is considered net income. If the net income is zero or less, the individual receives a Medicaid card and all bills for approved medical services will be paid by the Department of Public Welfare. If the balance is more than zero, the individual must show he has accumulated over any six month period medical bills exceeding his net income for six months (e.g., the costs of prolonged hospitalization). When this occurs the individual receives a Medicaid card and the balance of his expenditure for approved medical services will be covered by Medicaid.

4. Comparison of State Spending on Medicaid

Chart VII shows the number of optional services offered by the 15 largest states on June 1, 1976 and whether they cover the Medically Needy in their program. The extent of coverage does not appear to be strongly affected by a state's wealth as measured by per capita income. North Carolina with the lowest per capita income currently offers 13 services while New Jersey with the highest per capita income offers 16 services but excludes the "medically needy".

Table 11 suggests that a relationship exists between a state's decision to extend coverage to the medically needy and per capita Medicaid expenditures.[20]

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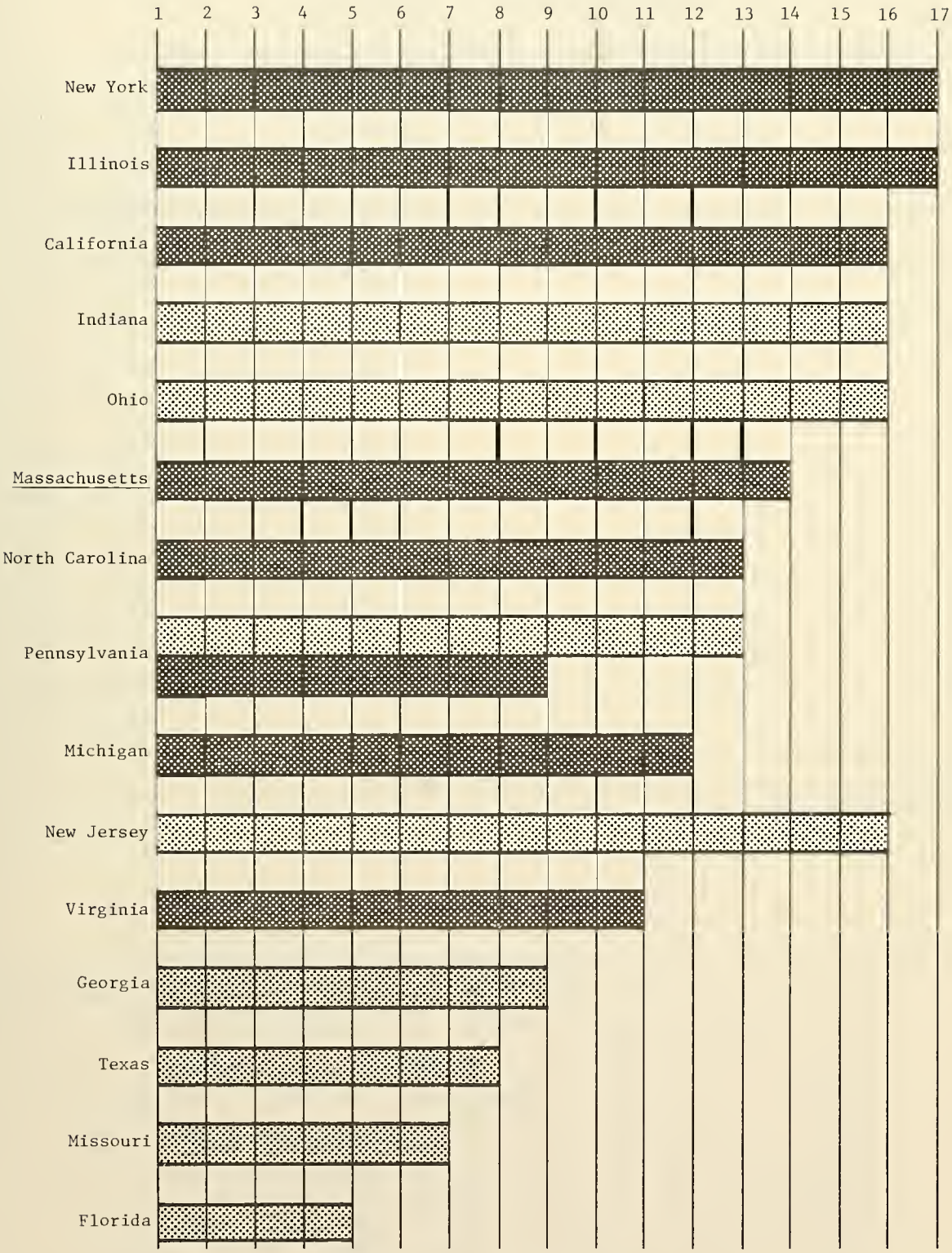
20 The analysis of per capita expenditures is based on the annualization of total expenditures for states for November 1975 as reported in DHEW Publication No. (SRS) 76-03150, NCSS Report B-1 (11/75), Table 1. It includes expenditures on behalf of the Medically Needy and Categorically Needy Blind.

Chart VII

Optional Medicaid Services in 15 Largest States June 1, 1976



Offered to Categorically Needy Only

Offered to both Categorically Needy and Medically Needy

Source: Based on draft, U.S. Dept. of Health, Education and Welfare (SRS), Medical Services Administration.

Those six states with the highest per capita medical expenditures all include the "medically needy" in their Medicaid program. Offering services to the "medically needy" contributes to higher Medicaid expenditures because it enables more people to qualify for medical benefits.

Table 12 indicates that Massachusetts' high per capita expenditure is not caused by the level of payments but by the large number of people serviced. The state ranks only 7 in terms of the average recipient payment for medical services but it ranks first in the percent of the population who are Medicaid patients.[21]

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21 The analysis of the causes of Massachusetts high per capita expenditures is based on annualization of the amounts of Medical Vendor Payments and Number of Recipients with Medical Vendor Payments by state for November in the DHEW Publication No. (SRS) 76-03150, NCSS Report B-1 (11/75), Tables 2 and 3. This data on amounts of Medical Vendor Payments and Number of Recipients with Medical Vendor Payments is used to rank states on the percent of the population who are Medicaid patients because data on total number of recipients is not available. This data which is generated as an adjunct to the Medical Vendor Payment System understates the number of recipients and per recipient expenditures most seriously in those states which rely on other forms of payment such as an outside health insuring agency or a health maintenance organization. The two states most affected by this problem in our analysis are North Carolina which makes nearly 100% of its payments and Texas which makes 33 percent of its payments respectively through a health insuring agency.

Table 11

Rank Order of States on Per Capita Medicaid Expenditures

State	Estimated Annual FY 1976 Expenditures (millions)	Estimated Population July 1975	Estimated Expenditures Per Capita
N.Y.	$2,994.6	18,120,000	$165
MASS.	579.0	5,828,000	99
CALIF.	1,815.7	21,185,000	86
MICH.	721.0	9,157,000	79
ILL.	730.4	11,145,000	66
PA.	713.4	11,827,000	60
GA.	294.9	4,926,000	60
N.J.	354.7	7,316,000	48
TEXAS	564.9	12,237,000	46
VA.	195.2	4,967,000	39
N.C.	204.1	5,451,000	37
OHIO	392.8	10,759,000	37
IND.	191.0	5,311,000	36
FLA.	213.8	8,357,000	26
MO.	108.6	4,763,000	23

Source: D.H.E.W. Publication No. (SRS) 76-03150, NCSS Report B-1 (11/75). Current Population Reports, Population Estimates and Projections, U.S. Department of Commerce/Bureau of the Census, Series P-25, No. 619, Issued January 1976.

Table 12

Rank Order of States on Utilization of the Medicaid Program and Per Patient Expenditures

State	Estimated Annual Expenditure Per Patient*	State	% Population Medicaid Patients*
PA.	$3,039	MASS.	6.9%
N.Y.	2,812	ILL.	6.7
IND.	1,818	N.Y.	5.9
MICH.	1,604	CALIF.	5.2
TEXAS	1,519	GA.	4.7
CALIF.	1,539	MICH.	4.6
MASS.	1,433	N.J.	3.6
VA.	1,431	OHIO	3.2
N.J.	1,319	MO.	3.1
N.C.	1,265	TEXAS	2.8
GA.	1,227	VA.	2.6
FLA.	1,199	FLA.	2.1
OHIO	1,103	PA.	2.0
ILL.	922	IND.	2.0
MO.	688	N.C.	1.7

* Includes expenditures for the Blind under the SSI Program and Medically Needy Program.

Source: D.H.E.W. Publication No. (SRS) 76-03150, NCSS Report B-1 (11/75). Current Population Reports, Population Estimates and Projections, U.S. Department of Commerce/Bureau of the Census, Series P-25, No. 619, Issued January 1976.

5. Savings

Because of the high rate of spending on Medicaid and the 1975-76 fiscal crisis, Massachusetts has been examining ways to reduce the cost of Medicaid. One proposal that is periodically considered is the requirement of a nominal co-payment for medical services used by Medicaid patients. The purpose is to discourage unnecessary use and to defray costs. An example would be the imposition of a requirement that patients pay 50 cents for each drug prescription that is filled. Co-payments have been instituted in some states and were endorsed as a savings measure at the height of the fiscal crisis. This measure has not been implemented and remains an unresolved issue in Massachusetts.

As another savings step, the Legislature provided in the budget for fiscal 1976 (Chapter 684 of the Acts of 1975) that "optional" Medicaid services could be phased out and that the Medically Needy program would be eliminated by January 31, 1976, unless the Commissioner of Administration and Finance certified that sufficient funds were available to continue the program. Several items in the array of optional services which the state had elected to provide under its Medical Assistance Plan (e.g., dental care for adults, private duty nursing, hearing aids for adults, podiatry, vision services, and chiropractry) were restricted or eliminated. Since the Commissioner of Administration was able to certify that sufficient funds were available in January, the Medically Needy program was maintained. This was accomplished in large measure by adopting an accounting change that effectively permits two months of this year's medical bills (i.e., May and June) to be paid out of the following year's appropriation.

6. Caseload and Expenditure Trends

Table 13 shows the growth in the Medicaid eligible population and expenditures for Massachusetts from fiscal 1974 through fiscal 1976.

About 75 percent of the Medicaid eligible population are AFDC and SSI

categorical recipients. The Medically Needy caseload accounts for the remaining 25 percent of the Medicaid eligible population. The latter group of the Medicaid eligible population has been growing at about the same rate as the categorically needy portion.

Table 13

Medical Assistance Caseloads and Costs for Categorically Needy and Medically Needy Under the Department of Public Welfare

Fiscal Year	Categorically Needy Eligibles**	Medically Needy Eligibles	Total Medicaid Eligibles	Medicaid Expenditures*** (in millions)
1974	180,319	63,020	243,339	$380.0
1975+	219,655	73,958	293,613	477.7
1976	238,183	81,647	319,830	566.0

* Funds for 3,275 categorically needy blind and an estimated 700-800 Medically Needy Blind are budgeted under the Commission for the Blind. The estimated expenditures for fiscal 1976 is $7.256 million.

** Excludes caseload for AFDC Foster Care component of the AFDC Program.

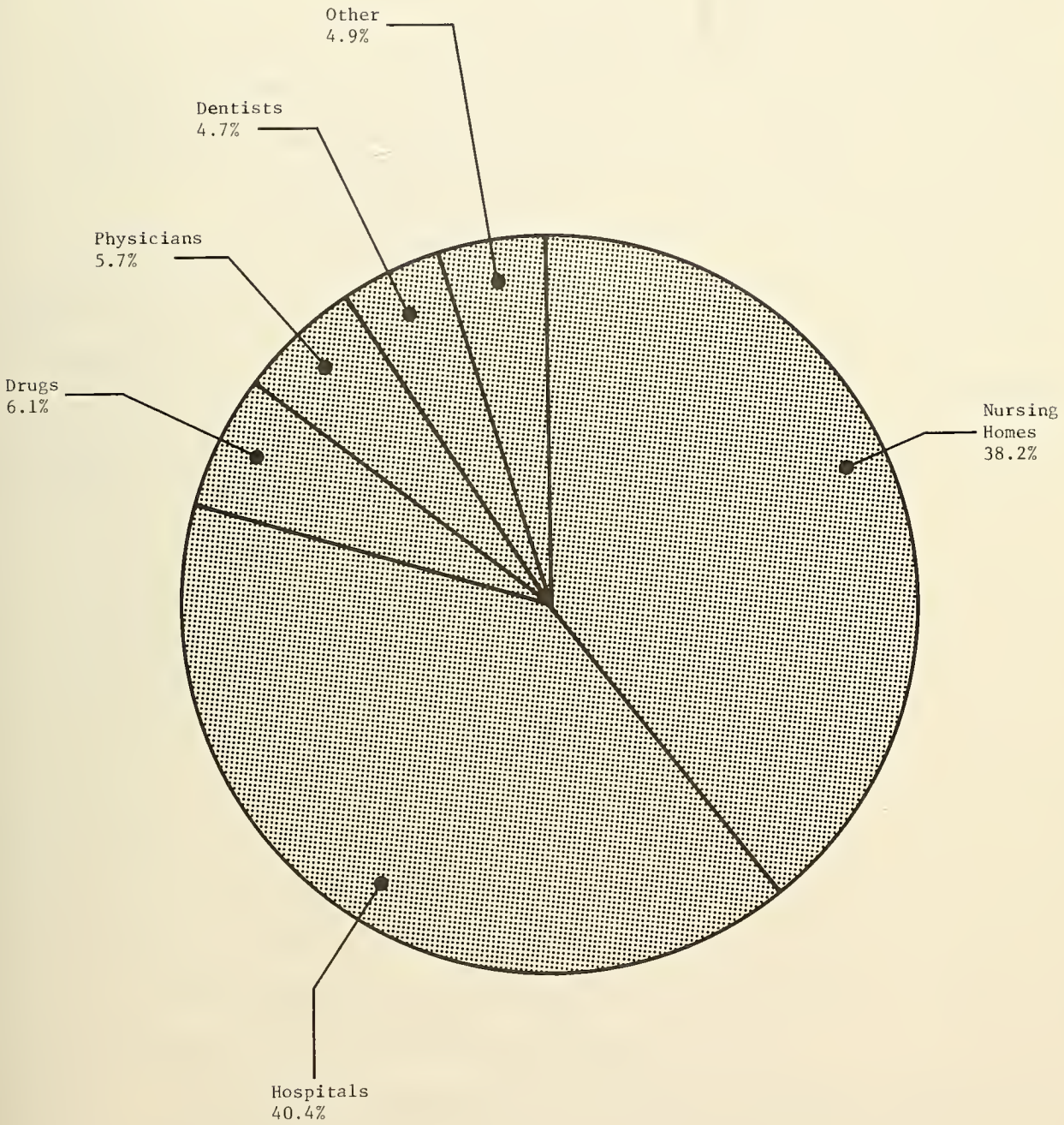
*** Excludes Prior Year Appropriations.

\+ Change in reporting systems.

The 31 percent increase in total Medicaid eligible cases from 1974 to 1976 has clearly caused expenditures to increase. However, expenditures have risen faster during the same period, growing by nearly 50 percent. The other factor largely responsible for this faster growth in expenditures is the rate paid to medical providers. Higher provider rates, especially to hospitals and nursing homes which comprise over 78 percent of Medicaid costs, as shown in Chart VIII are an important force in driving up Medicaid expenditures.

Chart VIII

Estimated Payments to Vendors for Medical Care for Fiscal 1976



Source: Department of Public Welfare, May 31, 1976

Rates of reimbursement for nursing homes are set in a manner that contributes to the uncertainty surrounding the state Medicaid budget. The Massachusetts Rate Setting Commission, the state regulatory agency, develops an interim rate on the basis of an historic cost report for an individual nursing home rolled forward to the current year with an inflation factor. An audit review at the close of a fiscal period is performed to determine actual costs. Generally, these costs exceed the interim rate and a retroactive settlement is made by the Department of Public Welfare.

Hospital rates are set prospectively on the basis of charges rather than actual costs. The rate is fixed on the basis of an historic cost report trended forward with an inflation factor. Under prospective rate setting, the regulatory agency is faced with the problem of forecasting costs as the payment is fixed and fiscal relief is only granted in limited circumstances.

VI.

SOCIAL SERVICES

The Department of Public Welfare is responsible for the provision of a broad array of social services such as counseling, foster care, day care, and home making services to individuals and families. Eligibility for these services is not tied to the receipt of cash assistance although the majority of people who receive services are the recipients of cash assistance. For people not receiving cash assistance eligibility standards are set at 69 percent of the median income for all state residents, adjusted for family size (i.e., $191 a week for a family of four). No income criterion is applied to children or adults referred to the Department for protective services against abuse, exploitation, or neglect under the state child protection law (Chapter 1076 of the Acts of 1973) nor to youth referred to the Department for help under the state law for children in need of service (Chapter 1073 of the Acts of 1973). This statute, the CHINS law, decriminalized the status of juvenile offenders (i.e., truants, runaways, and stubborn children) designating them instead as children who require treatment.

The social services that the Department provides are geared towards such objectives as maintaining the family unit, facilitating social and economic self-sufficiency of families and individuals, and protecting people against abuse or neglect. The heart of the social service delivery system is the 38 Community Service Area Officers where case workers are assigned. Only Adoption and Group Care are centralized services.

Some social services such as adoption, employment counseling, and crisis intervention work, are provided directly by the Department through its own staff. Other services are arranged or monitored by Department staff but purchased from outside providers. These include day care, foster home placements, and homemaker and chore services.

Social services in the Department of Public Welfare have received less attention than cash assistance programs. Separation of the functions of assistance payments and social services focussed greater attention on services leading to the creation of an independent delivery system and to the development of a separate budget for those services that the Department purchases from outside providers. The availability of federal funds for reimbursement of state expenditures on social services have also been an important force in the growth and delineation of social services. For example, day care which began as an adjunct to the AFDC program will become a $27 million a year program in fiscal 1977.

The fiscal 1976 budget which cut back the funds for cash assistance programs attempted to hold the line on social service spending. It imposed limits on the number of staff vacancies that could be filled generally in the Department of Public Welfare, including those assigned to social services. It also restricted the funds available for program expansion. The small deficiencies that emerged in the social services budget before the end of the fiscal year attested to the strength of the public demand for such programs as day care and homemaker and chore services.

Chart IX breaks down the fiscal 1976 appropriation for social services, including the cost of personnel responsible for the direct provision of services budgeted under the Department of Public Welfare administration account. The largest expenditure is for children in need of foster care. Although the Department no longer regards the removal of children from their natural homes as an optimal solution to their problems 8,654 children have come into its custody, in large measure through the courts. There are 6,300 children in foster homes, 235 in subsidized adoptions, and 2,200 in group care facilities.[23]

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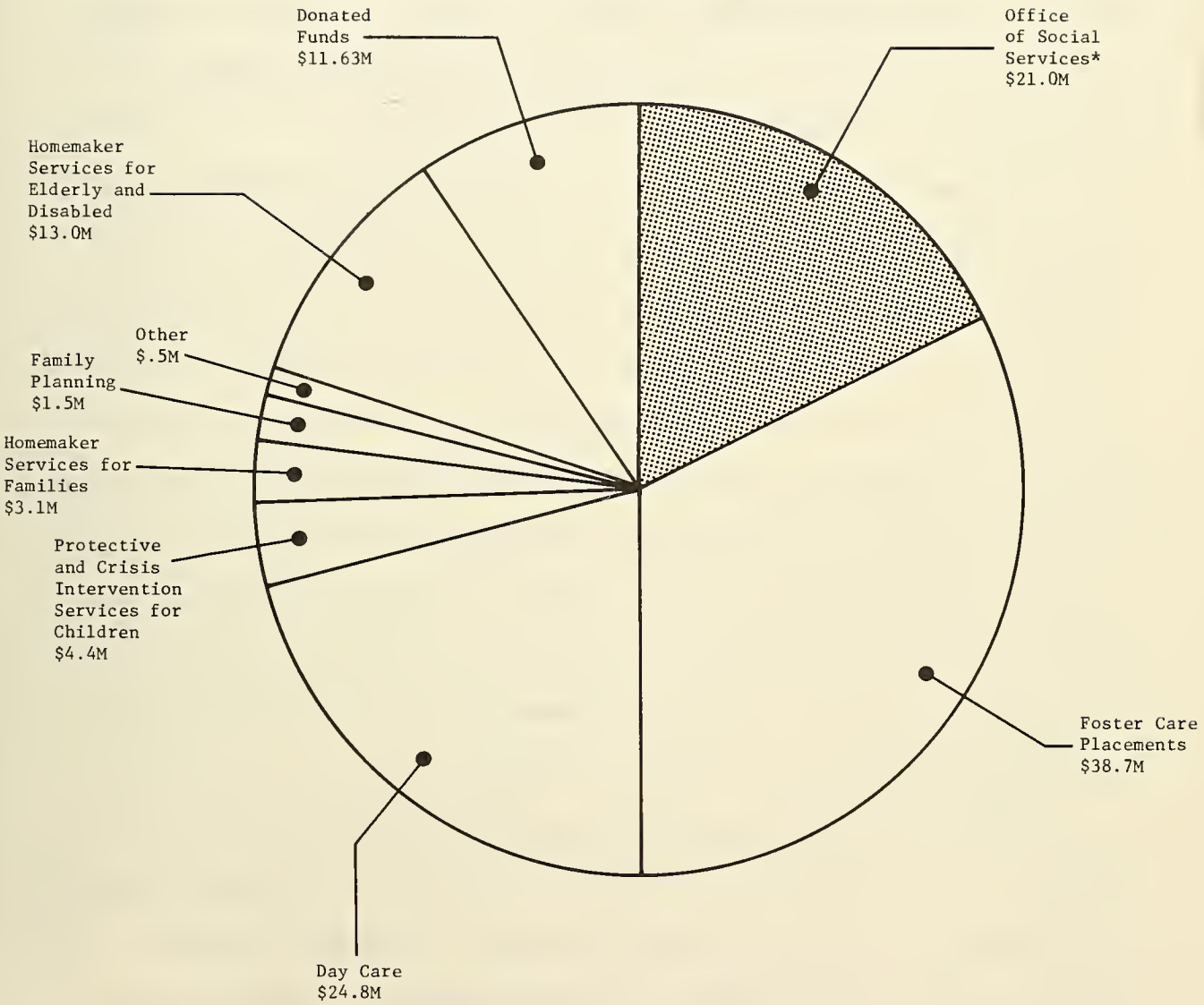
23 Approximately 81 children who reside part-time in a foster home and part-time in a group care facility are counted in both caseloads but only once in the total caseload count.

Chart IX

Fiscal 1976 Appropriation For Social Services Programs



* Based on Department of Public Welfare, Fiscal 1976 Claims For Federal Reimbursements

The cost for a child in a foster home now averages $1,884 per year plus a clothing allowance that amounts to an average of $259 per child per year. Group residential facilities for children who require more specialized treatment than is available in a foster home now average $8,196 per child per year. In an effort to prevent the break-up of families and the use of institutions the Department purchases a variety of services including counseling, homemaker services, and temporary shelter for "children in crisis."

The Department of Public Welfare provides day care for children when parents engaged in work or training programs cannot afford the costs of child care, when parents are ill or incapacitated, or when children require specialized services for protective or developmental reasons. Of the $24.8 million appropriated for day care in fiscal 1976, roughly 80 percent will be spent on care for the children of welfare recipients while 20 percent will be spent on care for the children of income eligible families. In addition to the 11,500 children who receive babysitting services, the Department funds an average of 9,100 children per month in day care "slots." The cost of a slot in a day care center that meets Federal interagency day care standards averages $44.23 per week or $2,300 per year.

Although the nucleus of the social services system is child welfare services, the Department also operates some programs specifically for adults. The Department provides employment counseling to clients enrolled in the WIN Program, offers family planning services, and purchases homemaker and chore services for the elderly and the disabled. The immediate goal of homemaker and chore services, which range from light housekeeping tasks to heavy household duties, is to prevent the institutalization of recipients. Seventy-eight percent of the caseload of 3,800 recipients per month are aged 65 and older while 22 percent are disabled and under 65 years of age. The average cost

per recipient is $289 per month or $3,468 per year compared to an average cost of $7,300 per year for a nursing home placement.

The fiscal 1977 budget directs the Department of Elder Affairs to assume responsibility from the Department of Public Welfare for the program of homemaker and chore services for the elderly. Elder Affairs has a statutory mandate to provide alternatives to institutional care and to serve as an advocate for the elderly population of Massachusetts. To facilitate full takeover of the program, this agency will increase the number of home-care corporations that it operates from 20 to 27 by next June 30. These nonprofit corporations subcontract with private agencies to provide similar services to those offered by the Department of Public Welfare to elderly clients at risk of being institutionalized.

A. Re-Organization

The new focus on social services has led to the submission of legislative proposals designed to re organize and improve the delivery of services. The most recent bill, House 4856, incorporates the recommendations of the Governor and members of the Joint Committee on Human Services. It removes the Office of Social Services from the Department of Public Welfare and combines it with the Department of Youth Services under a new agency, the Department of Family Services, whose sole mandate is to serve children and their families.

The Office of Social Services and the Department of Youth Services become prime candidates for re-organization because these agencies provide similar services (e.g., foster care placement, residential treatment) to youths with similar characteristics and rely extensively on the same vendors. The aim of this legislation is to reduce some of the problems such as fragmentation of resources and overlapping lines of authority that affect the delivery of adequate services to recipients and their families. Both proponents and critics of House 4856 have pointed out that re-organization is no panacea for the ills that characterize the current delivery system.

VII.

FOOD STAMPS

The Department of Public Welfare administers the nationwide, federally mandated Food Stamp Program in Massachusetts. The primary objective of the program is to enable economically needy individuals and families to receive adequate nutrition by increasing their purchasing power. Under the Food Stamp Program, households buy coupons which may be redeemed for any consumption item except alcohol, tobacco, and household supplies. The coupons have a "bonus" value in excess of the cost.

Eligibility for food stamps is not restricted to households on public assistance although the majority of the households who used the program in fiscal 1976 were recipients of cash assistance. In Massachusetts, SSI recipients are ineligible for food stamps because the state cashed-out the ($10) bonus value (the difference between what an individual pays and the redemption value of the stamps) and added it to the SSI grant.

Those households in which all members receive public assistance other than SSI are automatically eligible to participate in the Food Stamp Program. Eligibility of nonpublic assistance households for food stamps is determined largely on the basis of income and resources (assets).

* Resources must be less than $1,500 unless one of the participating members of the household is over 60 years of age. Then the household may have up to $3,000 in resources and still qualify for food stamps. Among the resources excluded in the determination of eligibility are a car, household furnishings, a house, personal belongings and property that produces income.

* Net income for food stamps is currently determined by making a series of deductions from gross monthly income. The various deductions which figure in the computation of net income include the following items:
  - State and federal income tax;
  - Social Security tax/mandatory retirement costs;
  - Union dues;
  - Mandatory education costs;
  - Court ordered alimony or child support;

- Medical, dental costs, and health insurance premiums over $10;

- Child care costs if necessary for work or education;

- Shelter expenses if over 30 percent of income after other deductions taken. Shelter includes rent, mortgage payment, insurance on property, electricity, water, heat and cooking costs, basic phone rate, sewerage/disposal fees or special assessments. The deduction for shelter is the difference between actual expenses and 30 percent of net income.

* Although the Food Stamp Program has no gross income cut-off points it sets maximum allowable limits for income after deductions as shown in Table 14.

Table 14

Maximum Allowable Net Income Limits

Effective: July 1, 1976 - December 31, 1976

Household Size	1	2	3	4	5	6	7	8	9	10	11
Monthly Income After Deductions	$245	$322	$433	$553	$660	$787	$873	$993	$1120	$1247	$137

* Registration for work is required of able bodied persons aged 18-65 unless they fall into an exempt category. The exempt categories include (1) mothers or other household members caring for dependent children, (2) incapacitated adults, (3) students attending school at least half time, (4) persons employed at least 30 hours a week, and (5) those persons who have registered under the Work Incentive Program. Striking workers must comply with the same work registration requirements as other persons in order for the family to receive benefits.

* Persons registered for work are required to accept suitable employment if referred to a job.

* Students who meet income and assets limits are eligible for food stamps unless they are claimed as a tax dependent by a household ineligible for food stamps.

The Food Stamp Program has been in operation on a statewide basis only since July 1974 when it replaced the Commodity (Food) Distribution Program. It has grown from a pilot project serving 4,000 households to a major

Department of Public Welfare program serving an average of 196,835 households in fiscal 1976. Of these households, 55 percent were recipients of cash assistance while 45 percent were nonpublic assistance households who met the financial criteria for food stamp eligibility.

Most of these households have incomes after allowable deductions that fall below $6,000. A survey conducted in November 1975 by the Department of Public Welfare found that 91.5 percent of the total caseload receiving food stamp benefits had adjusted net incomes under $6,000; 83.7 percent had net incomes under $5,000; and 71.7 percent had net incomes under $4,000.

The funds to cover the bonus value of food stamp coupons, $118.4 million for the first ten months of fiscal 1976, come from the appropriation for the U. S. Department of Agriculture. The administrative costs of the program budgeted at $6.4 million for fiscal 1976 are shared equally by the state and federal government.

A. Prospects For Change

Major substantive changes in the Food Stamp Program can be expected in the near future. Rapid growth in program costs, administrative delays, and the widespread belief that loopholes in the system (e.g., itemized deductions) permit participation of the nonpoor have made the program controversial. In response to criticism, the United States Senate adopted S.3136, the National Food Stamp Reform Act of 1976, which is designed to tighten up eligibility requirements, simplify program administration, and reduce costs. Under this bill, a standard deduction would replace most of the itemized deductions currently used to compute net income; net income standards would be set at the appropriate poverty level for family size; and a study of the assets of food stamp households would be undertaken. The Senate bill will have to be reconciled with legislation passed by the U.S. House of Representatives which now has a measure before it that would impose greater restrictions on eligibility.

VIII.

PROSPECTS FOR WELFARE REFORM

The fiscal problems that led to alterations in the scope of welfare benefits and the number of people served in Massachusetts are not confined to this state. The Department of Health, Education, and Welfare reports that during the period from January 1, 1975 to March 31, 1976 "...a total of 21 states instituted some form of cost containment, including 16 states which reduced or eliminated some Medicaid service(s) and ten states which limited provider reimbursement."[24] States which previously measured success by high benefit levels and the number of recipients served began to gauge success by the effectiveness of savings measures that reduce services and limit caseload growth.

From the standpoint of Massachusetts, the major avenue to genuine fiscal relief is welfare reform at the national level. However, the current prospects for restructuring the system are, at best, unclear. There is talk of welfare reform for the first time since the Nixon Administration Family Assistance Plan (FAP) succumbed to controversy in the Senate Finance Committee. There is no consensus however on how sweeping this reform should be.

The popular position on welfare reform appears to have changed from one which advocates a comprehensive federal strategy like a Negative Income Tax Plan to one which favors incremental changes in the existing system. For example, the National Governor's Conference recently called for the development of a national income maintenance policy that (1) consolidates programs, (2) establishes uniform eligibility standards based on income, (3) institutes a basic minimum federal payment modeled after SSI, and (4) increases federal financial participation. At this juncture in the national debate

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24 Department of Health, Education, and Welfare, Social and Rehabilitation Service, "Report on Selected Changes in State Medicaid Programs," May 28, 1976.

over welfare reform, the outcome in either the area of income maintenance or health care is uncertain.[25]

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25 For a fuller discussion see Public Welfare, Spring 1976, Volume 34 number 2, pgs. 6-37.

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